



The other debt issue

The deterioration in the finances of the States needs to be urgently addressed

For the first time in 11 years, in 2015-16 the combined fiscal deficit of India's 29 States as a proportion of the size of their economies breached the 3% threshold recommended as a fiscally prudent limit by successive Finance Commissions. The Reserve Bank of India has warned that the States' expectation to revert to the 3% mark in their 2016-17 Budgets may not be realised, based on information from 25 States. While the Central government has projected a fiscal deficit of 3.2% of GDP for this year, States expect to bring theirs down further to 2.6% – still higher than the average of 2.5% clocked between 2011-12 and 2015-16. Whichever way one looks at it, the steady gains made in States' finances over the past decade seem to be unravelling. Chief Economic Adviser Arvind Subramanian has asserted that the 3% of GDP benchmark for the fiscal deficit of the States or the Centre is not a magic number. Yet, it serves as an anchor for fiscal discipline in a country whose two biggest crises in recent decades – the balance of payments trouble in 1991, the currency tumble in 2013 – were precipitated by fiscal irresponsibility.

Taking on the massive debt of their chronically loss-making power distribution companies, as part of the UDAY restructuring exercise steered by the Centre, has surely dented the States' fiscal health significantly over the past couple of years. With private investment remaining elusive, the States' focus on bolstering capital expenditure in sectors such as transport, irrigation and power is welcome (States' capital expenditure as a proportion of their GDP has been higher than the Centre's since 2011-12). But it is important that such funding remains sustainable and States stay solvent. Tepid economic growth hasn't helped, and States have had to resort to higher market borrowings even after the Centre hiked their share from tax inflows to 42% from 32%, starting 2015-16. The Centre has been short-changing States by relying on special levies such as surcharges, cesses and duties that are not considered part of the divisible tax pool. So, instead of a 10% rise in the States' share of gross tax revenue, the actual hike in 2015-16 was just 7.7%. The forthcoming Goods and Services Tax regime should, it is to be hoped, correct this anomaly to an extent. But there are other potential stress points: Pay Commission hikes, rising interest payments, the unstated risks from guaranteeing proxy off-budget borrowings by State enterprises, and the boisterous clamour for *ad hoc* loan waivers. The N.K. Singh panel on fiscal consolidation has recommended a focus on overall government debt along with fiscal deficit and a 20% debt-to-GDP ratio for States by 2022-23. Not just the Centre, but States (with outstanding liabilities to GDP of around 24% as of March 2017) also need to tighten their belts considerably from here, even as they await the constitution of the Fifteenth Finance Commission.

High-stakes battle

In Iran, it's still Hassan Rouhani's election to lose

With Iranians going to the polls on Friday to elect a President, the odds appear to be in favour of the incumbent, Hassan Rouhani. Since the 1979 Revolution, all but the first President of the Islamic Republic, who had been impeached, have served two terms. Mr. Rouhani is particularly popular among the reformist section of the electorate, and is seeking to return to office on a clear political platform of integrating Iran further with the global order and initiating reforms at home. Still, his victory in the first round, for which he needs more than 50% of the vote, is far from certain. In 2013, after eight years of Mahmoud Ahmadinejad's rule, which saw Iran's international isolation grow and repression at home harden, voters across the spectrum rallied behind Mr. Rouhani. He had promised to break Iran's isolation, resolve the nuclear crisis through diplomatic means and turn that into economic benefit for all citizens. He delivered on some of those promises. He clinched the nuclear deal and over-saw greater Iranian engagement on the world stage. But he has yet to make good on his goal of attracting foreign direct investment and modernising the economy. It is partly not in his hands. International companies and banking giants still shy away from making deals with Tehran. Though the UN-mandated sanctions on Iran were lifted after the nuclear deal, the non-nuclear sanctions imposed by the U.S. are still in place. The expected thaw in relations between Washington and Tehran did not take place in the wake of geopolitical tensions in West Asia. Worse, the Trump administration's anti-Iran rhetoric is not only scaring off western investors but also playing it into the hands of the hardliners in Iran.

The hardliners now see an opportunity to take back power from the "elitist" Mr. Rouhani. Ebrahim Raisi, a cleric and a former aide of the Supreme Leader, Ayatollah Ali Khamenei, is Mr. Rouhani's main rival. Though Mr. Khamenei has not openly endorsed any candidate, the clerical establishment's preference is no secret. The Iranian presidency is not a strong institution compared to other presidential systems. In the Islamic Republic, real power lies with the Supreme Leader, who is not directly elected by the people. Nonetheless, the office of the President lends credence to the country's theocratic system, and a visionary, popular leader can manoeuvre within the limitations and push his agenda gradually. Mohammad Khatami, one of Mr. Rouhani's predecessors, tried to do so, with limited success. Though his first term was not flawless, Mr. Rouhani has demonstrated that he is capable of navigating through Iran's complex power dynamics, perhaps more efficiently than Mr. Khatami could. It is now his chance to convince voters to give him one more term so he can continue this gradualist but substantive reform agenda.

A great wall of paranoia

As China pushes ahead with B&RI, India must reconcile geopolitical interests with wider developmental goals



ZORAWAR DAULET SINGH

In a consequential development over the past week, India decided to stake out a clear position of defiance against the Belt & Road Initiative (B&RI), an ambitious Chinese idea that seeks to reshape the Eurasian geo-economic space. India's absence in Beijing's high-profile summit with representatives from over 100 countries, including 29 heads of state, has evoked surprise and debate. What is the calculus driving India's China policy? Does India risk isolation as Eurasia moves towards a new chapter of connectivity and interdependence?

Delhi's position can be clearly gauged from the Ministry of External Affairs' May 13 statement. The China-Pakistan Economic Corridor, a flagship project of the B&RI, is seen as a blatant disregard for India's position on Jammu and Kashmir because it passes through Pakistan-occupied Kashmir. But Delhi's protest goes beyond the "core concerns" over sovereignty. The objection to the B&RI is actually more deep-rooted, namely, that China's rise and projection of geo-economic influence is a direct challenge and threat to India's great power aspirations and traditional position in the subcontinent.

Two contending viewpoints

One influential strand of Indian thinking is that unless and until India develops its own regional connectivity plans and economic capacities at home, there can be no serious engagement with Chinese-sponsored projects. Any premature engagement is likely to entrap



India and stunt its rise. An alternative view is that India's rise itself needs engagement and connections with the wider Asian and Eurasian economies, especially in the post-2008 crisis world which has reduced the viability of the previous liberalisation model of drawing in western capital and basing India's growth on a handful of service sectors linked to the West. In these changed circumstances, the B&RI is seen to provide an alternative source of finance capital and manufacturing opportunities to buttress India's economy.

The first view is based on an image of intense competition and rivalry and leaves little room for collaboration. The second competing view is based on an image of interdependence where the idea of growth and development cannot occur in isolation from the world's second-largest economy. Both world views have some merit. The problem really lies in India's inability to imagine security more holistically and reconcile geopolitical interests with wider developmental goals.

Learning from others

If we carefully examine the approaches of the major powers and India's immediate neighbours, we can discern a more sophisticated strategy of dealing with China.

Both the U.S. and Russia are proceeding rapidly with their bilateral cooperation with China. Russia, of course, is central to any Chinese trans-Eurasian vision for the most basic reason: geography. Even a cursory glance at a map reveals that any long-range connectivity projects require active cooperation and coordination with Moscow and its Central Asian allies. Three of the six corridors outlined by China as part of the B&RI – the China-Mongolia-Russia corridor, the new Eurasian Land Bridge, the China-Central Asia-Western Asia economic corridor – all imply Russian cooperation. American companies too are deeply interested in opportunities that would accrue from B&RI projects and are scrambling to partner Chinese firms as well as hoping to serve as industrial suppliers in specific infrastructure projects. This is probably why U.S. President Donald Trump sent a senior White House official to Xi Jinping's summit.

Clearly, neither of these great powers is, therefore, likely to buy into a zero-sum Indian interpretation of the initiative. This is not to suggest that the U.S. and Russia are unconcerned about their spheres of influence around China's extended periphery. Rather they have chosen a policy of enhancing interdependence along with pursuing

their own geostrategies of upholding traditional political-military alliances. Russia, for example, is developing its own connectivity project called the Eurasian Economic Union, which is actually at a far more advanced stage of institutional development having already established a single market for its five members.

Even in the subcontinent we can notice clear trends of a complex approach towards China. India's neighbours such as Nepal, Bangladesh, Sri Lanka and Myanmar are all pursuing economic cooperation with China on a growing scale while also maintaining close connections with India and reassuring Delhi about their foreign policies and geopolitical orientations. It is instructive that all of India's immediate neighbours, except Bhutan, sent representatives to the Beijing summit. This triangular setting suggests it would be extremely challenging, if not impossible, for Delhi to persuade South Asia to curtail or cut off ties with China. What India can realistically do is shape the type of relationship that its neighbours pursue with China and uphold certain red-lines such as coming down heavily on regimes that invite China's military to establish a foothold in the subcontinent.

Chinese neo-colonialism?

Finally, the underlying premise in much of the Indian debate that Asia, and South Asia, is ripe for Chinese neocolonialism or imperial expansion can be refuted. Asia's national identities are much too strong for state agency to be brushed aside. Can anyone, for instance, make a credible argument that Vietnam – a country that has resisted China for a millennia – will fall under the dragon's sway because of an engagement with the B&RI? What about Russia, one of the world's strongest military

powers with a history of geopolitical experience in Eurasia? Will it fall under China's spell because a few billion dollars were invested in its economy or on its Central Asian periphery? Of course not! Even closer home, a tiny island state like Sri Lanka has apparently resisted certain provisions for port usage in the Hambantota project with China on sovereignty grounds. Almost every Asian state has a litany of issues with China's rise but is pursuing a complex strategy of adapting without in any way folding up. There is little evidence of bandwagoning or the proverbial dominoes toppling into a Chinese sphere of influence.

The notion that China can literally purchase "regional leadership" by financing infrastructure or lending money is ludicrous. Power stems from something much deeper. It requires consent and an ability to provide public goods. China's internationalism has, so far, been more materialistic than ideational, relying largely on the lure of capital and commerce. This cannot be an enduring prerequisite for order-building. It is instructive that the Chinese-sponsored or promoted institutions that have gained the most multilateral traction – such as the Asian Infrastructure Investment Bank, the New Development Bank, the Shanghai Cooperation Organisation – are the ones that are perceived to offer public goods and are built around a semblance of democratised norms or rules.

In short, there's more room to shape the ongoing power transition towards a multipolar world. Schizophrenia and paranoia cannot be substitutes for smart and sober statecraft, which must include dealing directly with China.

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The long journey of a forgotten people

Sri Lanka's hill-country Tamils want to be seen as rightful citizens, not passive beneficiaries



MEERA SRINIVASAN

Prime Minister Narendra Modi's public rally on May 12 with Sri Lanka's hill-country Tamils, on the second day of his two-day visit to the country, was a success, if you went by conventional markers such as the crowd he drew or the cheers that arose from it. But its real outcome is rather limited compared to the wide-ranging needs of the historically neglected community.

That an estimated 35,000 people from in and around the central highlands converged on the small town of Norwood – many walking over 5 km since buses clogged the narrow roads – partly reflects the affinity the Tamils feel for India, from where their ancestors moved to Sri Lanka about 200 years ago. Moreover, hill-country politicians put in their might to mobilise workers, campaigning widely across the tea estates that employ a fourth of the over one million-strong community.

Mr. Modi's visit to the region, the first by an Indian Prime Minister, was a strong affirmation of the

community's economic and political significance. In Sri Lanka's key 2015 presidential elections, hill-country or Malayaha Tamils decisively voted for the President Maithripala Sirisena-Prime Minister Ranil Wickremesinghe opposition combine that ousted the authoritarian Mahinda Rajapaksa regime.

A story of neglect

Hill-country leaders who met Mr. Modi sought greater assistance in education, which remains a crucial need. Most estate schools lack teachers for mathematics and science, limiting higher education and employment choices for students. While Sri Lanka takes pride in its public health delivery and indicators, services in plantation areas are woefully inadequate. The India-funded hospital he inaugurated is no exception. Short-staffed and overburdened, it is struggling to serve the local community.

Indian assistance to a deprived region is certainly welcome but, at best, can only supplement what Sri Lanka ought to deliver to a forgotten people.

Several decades of neglect by the plantation companies and the state, that earned huge profits and export revenue from the estate workers' cheap labour, have pushed hill-country Tamils to the margins of society. Northern Tamils underplay their sacrifices in



GETTY IMAGES/ISTOCK

the armed struggle, forgetting that many of the Liberation Tigers of Tamil Eelam cadre who died in the final offensive in May 2009 were those who migrated from the hill country. Often quick to empathise with the northern Tamils, Tamil Nadu politicians are never heard speaking for Malayaha Tamils, who came from the State to work in British-owned plantations. Even New Delhi's attention to these Sri Lankans – of most recent Indian origin – seems an afterthought, and coincides with their growing political clout.

After decades of struggle over citizenship and the largely patronage-style politics of the Ceylon Workers' Congress (CWC) that traditionally represented them, the community has hardly escaped its

exclusion. The highly politicised trade unions have weakened as the estate labour force has shrunk. A widespread wage struggle last year was defused by companies that ultimately had their way. Even as a professional and business class emerges from the community, many women plantation workers are migrating to West Asia to work as domestic help, for meagre wages in highly exploitative conditions. Some return home only in coffins.

Slow political steps

In their 2015 vote, hill-country Tamils made an important political shift, breaking away from the CWC that supported Mr. Rajapaksa, and backing younger leaders from new parties who formed the Tamil Progressive Alliance (TPA). Now Ministers in the government, they have been vocal in their disappointment over slow progress on many fronts, including post-war reconciliation with minorities and a political solution to Tamil grievances. Notably, they are eager to position Malayaha Tamils as national player, like the majority Sinhalese, minority Tamils of the north and east, and Muslims.

It will take substantial political commitment from the government to deliver what is due to this community and bridge the gap between the hill country and the

rest of the island. Last December, the cabinet decided to provide seven perches of land to estate residents – a belated but important step to address their landlessness. India too has offered to build 14,000 houses, a drop in the ocean of the nearly 1,60,000 homes the community needs. Acknowledging the estate sector as "most deprived", the national unity government unveiled an ambitious National Plan of Action for the Plantation Community (2016-2020), but what it will do with it remains to be seen.

Given the task ahead and the limits to what an external actor can do, the euphoria around Mr. Modi's visit not only appears misplaced but also has the danger of reinforcing hill-country Tamils as passive beneficiaries rather than rightful citizens.

When he addressed Malayaha Tamils at the Norwood grounds, he hailed them as the "indispensable backbone of Sri Lanka". Quoting a couplet from the "Thirukkural, he assured them: "Wealth will find its own way to the man of unflinching energy and efforts". Clearly, he missed the irony of saying this to a community whose toil and tears have been unrewarded for two centuries.

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LETTERS TO THE EDITOR

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Raids and searches

It is ingenuous to suppose that the CBI searches at Karti Chidambaram's residence and offices on the one hand and I-T searches at Lalu Prasad Yadav's homes and firms on the other have nothing to do with politics ("FIR filed against Karti on corruption charges" and "I-T raids over Lalu's land deals", both May 17). They hardly look like "operation clean-ups". The narrative being scripted by the BJP that all leaders in the Opposition are corrupt while corruption is anathema to all its own leaders may not go far. The "relentless" fight against corruption becomes problematic when it is so transparently selective. Incidentally, the BJP refuses to make public the sources from where its funds come. What is worse is when sections of the media assume the role of overseeing the "moral battle", even as they make the best use of "incriminating" hard disks, documents and data shared

by "independent" government agencies to suit their brand of journalism. Is all this in aid of the 2019 general election?
G. DAVID MILTON, Maruthancode, Tamil Nadu

■ One cannot fault the BJP for going about a key agenda of eliminating corruption. In this connection, one recalls BJP MPs being asked by the party high command to submit details of their wealth and assets. The common man and the Opposition have the right to know whether this was done. The CBI had earlier earned the sobriquet of being a "caged parrot" and the "Congress Bureau of Investigation". If Opposition party leaders alone are subjected to raids then, unfortunately, the BJP is being double-faced about the extermination of corruption.
R. KRISHNAMACHARY, Chennai

Kick-starting a plan
The Congress party's move to start a nationwide

campaign "to expose" the BJP government's three years in power is welcome ("Three years of lies, cover-up: Congress", May 17). As the principal Opposition party, it is imperative that the party looks at the BJP's governance track record. The development and growth stories being trotted out by the government's managers are hardly showing on the ground. Serious issues such as drought, agrarian distress, price rise, the burden of non-performing assets and job losses are being swept under the carpet in the absence of a strong and vigilant Opposition. There is a ray of hope that this campaign is to be spearheaded by second-generation leaders of the Congress.
J. ANANTHA PADMANABHAN, Tiruchi

Winning back Kashmir
It is widely believed that the death of Burhan Wani triggered the current spate of unrest in Kashmir. Sadly, it has been almost a year

and there are few signs that the situation will abate any time soon ("The Wednesday Interview" – "We need to find a way around this jingoism", May 17). Given that Kashmir is the most sensitive region in the subcontinent and for India, constitutes a defining aspect of its sovereignty, any form of instability in the region has to be dealt with carefully. "Winning hearts" has become the political currency but making it a reality will require a comprehensive package of ingenious political strategy. Within the framework of national sovereignty, Kashmiris must be given the maximum latitude to define their destiny. It must be the endeavour of civil society and the political community to guide victimised youths while exposing the doublespeak of separatist elements. Political parties need to forgo their political differences and create an atmosphere of sustained political dialogue. The people of this paradise will

certainly respond positively if sincere attempts are made to reach out to them.
BIBHUTI DAS, New Delhi

Gold still rules

The continued preference Indians have for gold cannot be termed as a tradition. Instead, it shows a lack of confidence in exploring other income-generating financial assets available in the market other than bank deposits. If the 'quest for gold' is to be changed, a structural reform of the financial sector is required so that people start shedding inhibitions about investing in other financial products (Editorial – "Gold shines", May 17). Demonetisation also

affected the confidence of the ordinary man who is generally unskilled in financial matters.
RADHAKRISHNAN M.V., Thrissur, Kerala

Politics and Rajinikanth

"Cartoonscape" (May 17) says it all. Actor Rajinikanth would do well to stay away from murky politics, which does not seem to be his cup of tea. Having dominated the tinsel world for decades, his fans would like his 'superstar' image to be intact. Though MGR's success in politics may be inspiring, Mr. Rajinikanth needs to tread cautiously.
P.K. VARADARAJAN, Chennai

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CORRECTIONS & CLARIFICATIONS:

In the report headlined "Goyal rebuffs RBI on UDAY" (Business page, May 17, 2017), the full form of UDAY was wrongly given as Ujjwal Discom Awaz Yojana. It should have been Ujjwal DISCOM Assurance Yojana.

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Article 142 and the need for judicial restraint

The Supreme Court's use of its vast powers under the Article has done tremendous good to many deprived sections. However, it is time to institute checks and balances



K.K. VENUGOPAL

For a number of years, it has been my practice not to speak about the cases in which I had appeared as a lawyer, for it had been my view that doing so would not be appropriate. However, I now feel that remaining silent today is not an option. I am having in mind the recent judgments of the Supreme Court invoking Article 142 of the Constitution to achieve results of a far-reaching nature, outside the laws governing the issues.

Article 142 provides that "the Supreme Court in the exercise of its jurisdiction may pass such decree or make such order as is necessary for doing complete justice in any cause or matter pending before it..." Ordinarily, a student of law would not recognise this provision as a potent tool in the hands of the Supreme Court to bring about changes in significant policy issues to affect the public at large.

In the early years of the evolution of Article 142, the general public and the lawyers both lauded the Supreme Court for its efforts to bring complete justice to various deprived sections of society or to protect the environment.

Constructive application

We have, for example, the cleansing of the Taj Mahal, whose marble was yellowing on account of sulphur fumes from the surrounding industries. Today, on account of the court's efforts over a period of years, we have had our heritage restored to its original beauty. Similarly, undertrials were rotting in jails for greater periods than the maximum punishment which could have been inflicted on them, as their very existence was forgotten by the criminal justice system. With a single stroke of the pen, thousands of them were released. Stories of miraculous changes brought about to the lives of ordinary people — especially those who, on account of poverty, illiteracy, and ignorance were unable to seek remedies from the courts — were innumerable.

One of the important instances of application by the Supreme Court of Article 142 was in the Union Carbide case — relating to the victims of the Bhopal gas



Justice and deprivation: A memorial for victims of the Bhopal gas tragedy. The Supreme Court invoked Article 142 while awarding compensation to survivors; (right) people who became unemployed following the court's order prohibiting sale of liquor along highways demonstrate in Chandigarh.

tragedy — where the Court felt a need to deviate from existing law to bring relief to the thousands of persons affected by the gas leak. In this judgment, the Supreme Court, while awarding compensation of \$470 million to the victims, went to the extent of saying that to do complete justice, it could even override the laws made by Parliament by holding that, "prohibitions or limitations or provisions contained in ordinary laws cannot, ipso facto, act as prohibitions or limitations on the constitutional powers under Article 142." By this statement the Supreme Court of India placed itself above the laws made by Parliament or the legislatures of the States.

Foraying into forbidden territory Fortunately, this statement was toned down later in *Supreme Court Bar Association v. Union of India*. It was said therein that the said article could not be used to supplant the existing law, but only to supplement the law.

However, in recent years, one has come across several judgments of the Supreme Court wherein it has been for-

In its anxiety to do justice in a particular case, the court has at times failed to account for the far-reaching effects of its judgments, resulting in the deprivation of rights of many individuals

aying into areas which had long been forbidden to the judiciary by reason of the doctrine of 'separation of powers', which is part of the basic structure of the Constitution.

Unfortunately, these judgments have created an uncertainty about the discretion vested in the court to invoke Article 142 where even fundamental rights of individuals are being ignored. What we have found is that the court, in its anxiety to do justice in a particular case or matter, has failed to account for the far-reaching effects of its judgments, which may result in the deprivation of the rights of a multitude of individuals who are not before the court at that time. Here, I have in mind the following cases:



The coal block allocation case: Allocation of coal blocks granted from 1993 onwards was cancelled in 2014 without even a single finding that the grantees were guilty of any wrongdoing. The cancellation carried with it a penalty of ₹295 per tonne of coal already mined over the years. Article 142 had necessarily to be invoked. The individuals were not heard on their particular facts, but only their associations were heard. The result was devastating, so far as these lessees were concerned.

The ban on the sale of alcohol along national and State highways: While the notification by the central government prohibited liquor stores along National Highways only — those abutting the National Highways — the Supreme Court put in place a ban of a distance of 500 metres by invoking Article 142. Additionally, and in the absence of any similar notification by any of the State governments, the court extended the ban to State highways as well. As a result of the order, thousands of hotels, restaurants, bars and liquor stores were forced to

close down or discontinue the sale of liquor, resulting in lakhs of employees being thrown out of employment. It may be noted that the total percentage of accidental deaths caused due to drunken driving, as found by the court from the statistics of 2015, was only 4.2% as against the 44.2% caused by over-speeding. The Supreme Court had itself held that the right to employment is a basic right traceable to Article 21. However, in its order banning the sale of alcohol along highways, it made no reference to the loss of employment to lakhs of people, a direct consequence of the order.

The transfer of cases filed against persons accused in the Babri Masjid demolition case: A two-judge bench passed an order which was in the teeth of an earlier three-judge bench decision of the Supreme Court, between the same parties, which was binding on it. Despite the decision of the larger bench, the court was prepared to hold, while invoking Article 142, that in view of the long pendency of the case for 25

years, it would direct that the trial would now stand transferred from Rae Bareilly to Lucknow. In my view, the judgment did not merely supplement the law but supplanted it by reason of the binding nature of the three-judges bench decision, which was *res judicata* between the parties. The trial was in fact nearing completion at Rae Bareilly; it would now take at least two years for the examination of a few hundred witnesses at Lucknow before conclusion of the trial, as the charge of conspiracy has also to be gone into.

I must reiterate that I had appeared as a lawyer in all the above cases.

It is true that Article 142 has been invoked for the purpose of doing tremendous good to large sections of the population and indeed to the nation as a whole. The Supreme Court has perceived its role as one which would require it to 'wipe away every tear from every eye', but perhaps it is time that the use of this vast, unbalanced power included checks and balances.

Referral to Constitution Bench

While one ponders over the possible solution to this conundrum, one cannot lose sight of the fact that today, we have a court of 31 judges who sit in thirteen divisions of two or three to deliberate on the seminal legal issues of the day. One would even be compelled to observe that India has thirteen Supreme Courts as each division represents, by itself, the Supreme Court of India, and each bench is independent of the other. I would therefore propose that all cases invoking Article 142 should be referred to a Constitution Bench of at least five judges so that this exercise of discretion may be the outcome of five independent judicial minds operating on matters having such far-reaching impact on the lives of people. I also propose that in all cases where the court invokes Article 142, the government must bring out a white paper to study the beneficial as well as the negative effects of the judgment after a period of six months or so from its date.

The time has come for the Supreme Court to introspect on whether the use of Article 142 as an independent source of power should be regulated by strict guidelines so that, in the words of Justice Benjamin Cardozo, the judge "is not a knight-errant roaming at will in pursuit of his own ideal..."

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SINGLE FILE

Too early for a rollback

High eurozone underemployment may force ECB to retain its stimulus measures

GARIMELLA SUBRAMANIAM



The European Union (EU) is evidently relishing its richly earned recent political reprieve from the risk of a far-right backlash in the Dutch parliamentary and French presidential elections. Also adding to the overall sense of relief are factors that reflect the health of the 19-nation eurozone, whose economies are hemmed in by a common monetary policy despite their disparate fiscal and macro-economic arrangements.

The sovereign debt crisis has largely receded. There has been a steady rise in gross domestic product in the first quarter of 2017 — the growth outstripping that of the U.K. and the U.S. And that is not all. The current 9.5% rate of unemployment, the lowest since the onset of the financial crisis, is projected by the European Central Bank (ECB) to drop to 8.9% next year and to 8.4% in 2019.

Yet, the improved economic and political climate has already revived a contentious debate on the trajectory of a closer eurozone integration. The ECB is currently facing criticism from the more prosperous economies of Germany and the Netherlands over its decision to continue with both the quantitative easing (QE) programme and sub-zero interest rate policy. These ultra-loose monetary tools were deployed to reassure investors of the bloc's financial firepower amidst a sovereign debt crisis.

Germany's resistance

The signs of a recovery have prompted Jens Weidmann, president of Germany's Bundesbank and a vocal hawk in the ECB's governing council, to counter the prescription for negative rates in view of their impact on the profitability of banks. Germany and the Netherlands share concerns on the erosion of pension funds, owing to the current meagre levy of 0.4% on private reserves held by national central banks.

Such resistance is reminiscent of the sustained attacks the Frankfurt-based institution had come under in the wake of the eurozone's banking and debt crises earlier in the decade. The burden of the argument then was that the bank was overstepping its monetary policy mandate of keeping inflation below but close to 2% of gross domestic product. The new orientation amounted, in their view, to an intrusion into the fiscal terrain of determining the flow of money supply by governments.

Mario Draghi, president of the ECB, has claimed the creation of over four million eurozone jobs in the past three years as among the successes of its monetary policies. He is equally categorical that a rollback of QE and negative interest rates too soon would amount to unplugging the growth engine.

On a sobering note, an ECB study points to persistently low wages among eurozone workers owing to high levels of underemployment. As much as 15-18% of the workforce is said to be either jobless or keen to put in longer hours. This figure is nearly twice the size of the official unemployment numbers and is even higher in weaker labour markets, with consequences for wage negotiations. A combination of underemployment and low wages thus puts into jeopardy the eurozone's current efforts to counteract deflation. By implication, negative rates of interest may not be dismantled soon.



CONCEPTUAL

Gaia hypothesis

ECOLOGICAL

Propounded by British scientist James Lovelock (who is now 97) in the 1970s, the Gaia hypothesis conceives of the earth as a self-regulating system, much like a single organism. The earth's living organisms and its physical components (air, water, soil), according to this hypothesis, form a complex system that interacts with each other in such a way as to maintain the conditions essential for the sustenance of life on the planet. This equilibrium, Lovelock argues, is being skewed by heightened human intervention that threatens not just the planet's biodiversity but the future sustenance of human beings themselves.

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FAQ

Getting the numbers right

Why the new WPI will provide better understanding of the movement of food prices

T.C.A. SHARAD RAGHAVAN

What do the new numbers show?

The government last week introduced changes to two important indicators of the country's economic situation — the Index of Industrial Production (IIP) and the Wholesale Price Index (WPI). The new IIP figures show that industrial production grew at a pretty robust rate of 5% in 2016-17 as opposed to the anemic growth of 0.45% shown by the old series. More recently, the new series shows that industrial activity grew at 2.7% in March, up from 1.9% in February. The old series had shown a contraction of 1.2% in February, in contrast. The new WPI figures show that wholesale inflation in 2016-17 was -1.1% as opposed to the much more uncomfortable 3.7% shown by the old numbers. Inflation in April stood at 3.85%, down drastically from 5.3% in March. The old figures had pegged March inflation at 5.7%.

What changes were made to the IIP? Several changes

made are technical and had to do with improving the granularity and representation of the data, but the most obvious change is the bringing forward of the base year from 2004-05 to 2011-12. As the government noted, a more recent base year is more in keeping with international best practices and also provides more representative and accurate data.

The new series has a total of 809 items, up from the 620 earlier. It is also more updated, having added 149 items of more recent use, such as steroids, hormonal preparations, and pre-fabricated concrete blocks, and deleted 124 other items such as calculators, and colour TV picture tubes.

It also changed the weightages of the different categories, increasing them for the manufacturing sector and marginally for the mining sector, while reducing them for the electricity sector.

What changes were made to the WPI? Similar to the IIP, the WPI also saw its

base year being moved forward to 2011-12 from 2004-05. This brings it more in line with the Consumer Price Index, which has a base year of 2012.

The new WPI series does not include indirect taxes in its calculation. This insulates the WPI from the effect of policy changes related to indirect taxes and thus makes it a more accurate measurement. It has also modified the weightages of its categories, placing a higher weightage to primary articles while reducing the weightages of fuel and power, and manufactured products.

The new series saw 173 new items added to the list and 135 items being dropped. It will also come out with a composite food index, which combines the 'food articles' segment of the primary articles category and the 'food products' segment under the manufactured products category. This should provide a better understanding of the movement of food prices, especially when viewed together with the Consumer Price Index.

FROM The Hindu ARCHIVES

FIFTY YEARS AGO MAY 18, 1967

DMK move to rename Madras

While the Madras Government has changed its name to Tamil Nadu, a D.M.K. member in Lok Sabha, Mr. Ira Sezhian has given notice of a private Bill which seeks to amend the Constitution 9 to alter the name Madras State to Tamil Nadu. Under Article 3E of the Constitution the name of a State can be changed by a Bill passed in Parliament. The Bill also has to be introduced only with the permission of the President. Mr. Sezhian's Bill seeking to change the name of Madras State by amending the first schedule and also other provisions of the Constitution is awaiting the President's recommendation. Only when the name of the State itself is changed into Tamil Nadu, the change in the name of the Government to Tamil Nadu will have real validity.

A HUNDRED YEARS AGO MAY 18, 1917

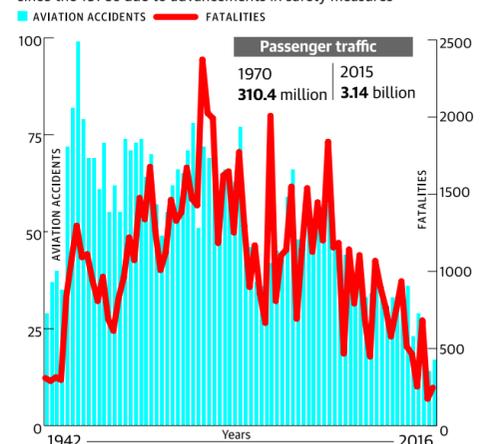
Export of mica

The Government of India consider it desirable to make an announcement with reference to the conditions governing the export of mica. They are informed that there is a keen demand for Ruby Block Mica in London for munitions purposes and all qualities and sizes both of Government and trade descriptions may be shipped freely to London without any restriction whatever. The Government agency for certifying exports no longer exists and dealers and shippers are invited to sell their stock of Block Mica freely for export to London. They are advised, however, to have their consignments very carefully sorted before export, whether at Calcutta or up country, as it is understood that higher prices are obtainable in London for carefully selected mica of the better grades.

DATA POINT

Safer skies

Despite the phenomenal growth in global air traffic and passengers, the number of aviation accidents and fatalities have come down since the 1970s due to advancements in safety measures



Only accidents involving commercial airliners carrying 14+ passengers are considered
SOURCE: AVIATION SAFETY NETWORK, WORLD BANK