



## Protecting prisoners

Prison reforms must be directed at securing the rights of inmates

The focus of public and judicial concern over the situation prevailing in India's prisons has in recent times been related to overcrowding and long spells of incarceration faced by indigent inmates too poor to obtain bail. On some occasions, such as when the horrific blinding of prisoners in Bhalgalpur took place over three decades ago, the stark human rights situation also attracted attention. The brutal murder of a woman life convict in the Byculla women's prison in Mumbai on June 23 has brought the focus back on custodial violence, especially the vulnerability of inmates to authoritarian behaviour. The allegation that prison guards targeted Manjula Shette, a lifer brought to the jail a couple of months ago from the Yerwada Central Prison in Pune as a warder, over some missing rations is indeed startling. It is said she incurred the wrath of the guards because of her rising popularity among the women prisoners. This suggests that until her arrival the inmates may not have been accustomed to even rudimentary care from the jail authorities. Eyewitnesses say that when the warder was severely assaulted by the guards, it led to a riot-like situation among the prisoners. It is not difficult to surmise that simmering discontent over the prevailing conditions, and an intense animus between the guards and the inmates, were behind the events. It is some consolation that the police have arrested six prison officials for the custodial murder.

It is disconcerting that the untoward incident took place at a time when the Maharashtra government had been directed by the Bombay High Court to undertake a comprehensive review of the conditions in three major prisons in the State. As per the March 2017 court order, an empowered committee was to be constituted to look into all aspects of the jails in the light of Supreme Court decisions, the Model Prison Manual of 2016 and relevant UN resolutions. In particular, the panel was to suggest measures to create modern jails and modernise amenities. In the last half century, the superior courts have passed a series of orders to reform jails. The issues range from prisoners' rights, health, hygiene and access to legal aid, to the condition of women inmates and their children. The judiciary's approach has been anchored in the belief that fundamental rights "do not part company with the prisoner at the gates". The Union Home Minister released a model jail manual last year. It makes clear that the state is under an obligation to protect the residuary rights of prisoners after they surrender their liberty to a legal process. One can only reiterate a principle already enshrined in it: the management of prisons must be marked by firm discipline, but also due regard to the human rights of prisoners. Prison reforms are not only about amenities and conditions; they must also address the prisoner's right to life.

## Missile diplomacy

The U.S. needs to be inventive in responding to the North Korean provocation

In early January, Donald Trump, then the U.S. President-elect, tweeted that North Korea would never develop a "nuclear weapon capable of reaching parts of the U.S.". But Pyongyang appears to have done exactly that, defying warnings issued by Washington. Tuesday's test of an intercontinental ballistic missile, that appears to be capable of striking Alaska, poses perhaps the greatest foreign policy challenge so far before Mr. Trump. And he appears to be lost for an effective response. While senior officials of the Trump administration have consistently talked tough, they have banked heavily on China, North Korea's most crucial political and economic ally, to rein in its missile programme. Mr. Trump had even offered China a better trade deal for its help in addressing the crisis and appreciated President Xi Jinping's efforts. But neither the tough posturing nor banking on China's help seems to have worked, and Kim Jong-un, North Korea's Supreme Leader, remains as defiant as ever. Washington's response to the missile test was typical. The U.S. and South Korea immediately conducted missile exercises to counter "North Korea's destabilising and unlawful actions", and the State Department asked for more UN sanctions on the North.

But had sanctions and threats been effective as a strategy, Mr. Kim would not have carried out the ICBM test in the first place. Ever since he took power in 2012 he has steadily expanded North Korea's missile programme; challenging the U.S. is central to his foreign policy doctrine. All these years the U.S. has stepped up sanctions and taken an incrementally harsher line towards the Kim regime. Mr. Trump has simply followed the Obama administration's stick-and-sanctions policy towards the North, but with a China emphasis. But he is now back to square one, with very few options. Though the administration has said all options are on the table, even a limited military strike would be dangerously risky. Given the unpredictability of the Kim regime, any attack could be tantamount to a declaration of war on the Korean peninsula. Another option is to continue the tested-and-failed policy of sanctions and international isolation, which would mean more trouble for the North Korean people with an uncertain effect on the roguish regime. It is also unclear whether China will back such isolation. A third option, something that both the Obama and Trump administrations have seemingly overlooked so far, is to hold direct negotiations with Pyongyang. It may appear strange given the current hostility, but that remains the only realistic option before Washington. Mr. Trump has a counterpart in Seoul, Moon Jae-in, who is more inclined to addressing the issue through diplomacy. Besides, there is the history of the North freezing its nuclear programme for nearly a decade in 1994 after a deal with world powers. Mr. Trump should take a realistic view of the crisis rather than immediately opt for retaliatory and punitive measures.

# Before the sluice gates close

The Sardar Sarovar project cannot be complete without resettlement of the thousands displaced or affected



MEDHA PATKAR

The decision to close the 17-m-high (55 feet) gates of the Sardar Sarovar dam was taken on June 16 by the Narmada Control Authority – 56 years after the then Prime Minister Jawaharlal Nehru laid the foundation stone in 1961 – and published by the mainstream media as a "historic decision". No one remembered that Nehru had, in his speech, warned that the people from the first six villages whose lands were taken away, overnight with standing crops, should be done justice to. How tragic it is that those 300 families (now grown into 900) are still not compensated for their lands and properties not declared as "project-affected", even though their lands are used for the Sardar Sarovar Project offices, staff quarters, roads and storages, parking lots, all for the dam project.

### The sanitised version

Media reports didn't refer to the agitation by the project-affected, including Adivasis from resettlement sites and submergence areas within Gujarat, under way at Kevadia Colony near the dam site. The agitation's leaders were arrested and hundreds stopped by the police as recently as June 6-7, when supporters and activists of the Narmada Bachao Andolan too faced arrest at the Gujarat-Madhya Pradesh border.

There is no mention of protests in most of the villages in Madhya Pradesh (and a township, Dharampuri) that would be flooded, partially or fully, when the waters would rise to 138.68 m, 55 ft higher than the 122 m crest level (dam wall height) at which the dam was stopped for the last eight years. The 'completion' of the project will likely be used as the main plank in the ruling Bharatiya Janata Party's



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(BJP) campaign for the next Assembly polls in Gujarat. This, when the ground reality is starkly different in the densely populated submergence area. Can all lives and livelihoods be resettled and rehabilitated by July 31, the deadline given by the Supreme Court's order of February 8, 2017, when no orders have been passed by the Grievance Redressal Authority by June 8 as directed? The rehabilitation sites are not ready, with no drinking water, no proper roads, drains and culverts, no grazing grounds and other amenities which are mandatory. Tenders are just floated for crores of rupees worth of works and timelines stretch way beyond the deadline.

### Game of numbers

In the Narmada Control Authority's meeting on June 16, the State governments, including those of Madhya Pradesh, Maharashtra as well as Gujarat, all belonging to the BJP, reported full compliance on rehabilitation, which is an utter falsehood.

The apex court has taken cognisance of the 'tentative figures' of families yet to get land, but the court is obviously far removed from ground zero to know the hardships, massive corruption, cheating, exclusion that the farmers, labourers, potters, artisans, shopkeepers and all occupational categories have faced over the

All this is discussed or noted in the correspondence but never admitted at meetings for sanctioning the rise in the height of the dam.

### Distributive injustice

The rehabilitation sites in Madhya Pradesh present the worst scenario. About 78 sites are not liveable, as investigation reports have concluded. Those who received meagre compensation instead of 'replacement value' for houses cannot build houses and resettle. Many of them have received house plots that are not levelled; others haven't got possession even now. At least 18,346 families have been evicted from their villages, as acknowledged in the gazette notification of May 27, 2017 – our estimate is at least twice that number. The Madhya Pradesh Chief Minister has promised to provide houses under the Pradhan Mantri Awas Yojana to some families, but house plots will be returned to about 5,000 families that had been paid money in lieu of plots by the authorities.

People, even poor, cannot accept temporary resettlement; or agree to one-third of the lawful area of house plots now being offered; or shift to rented houses or tin sheds. Employees from government departments are trying to force people to sign 'Vachan Patras' agreeing to shift before July 15, with a vague statement that "I am willing to take whatever benefits government offers as per the rules". Intimidating warning posters are pasted late at night on walls in all the villages. The strategy is to intimidate and to lure, if possible, at least 2,50,000 people (at the original backwater level, as per the tribunal, based on field surveys) from the villages on one hand and closing the gates to flood and flush them out with all properties and belongings, out of their riverine cultural environs, without full and fair rehabilitation. Without disbursing cash package to all beneficiaries as per the Supreme Court's order, how can the government conclude the chapter on Sardar Sarovar?

The Madhya Pradesh government has shown the rehabilitation balance as '0'. Maharashtra too has cheated Adivasis and permitted a rise in the dam height. Gujarat never listened to the oustees crying out for justice. The story of Narmada is unfolding in the State: the survival of Adivasi oustees is at stake as they lack access to drinking water at many sites even as the government prioritises water for projects of big industrialists, for sites along the Delhi-Mumbai Industrial Corridor that will span 60% of Gujarat, and for cities over villages and small towns.

### The real questions

The question is not how many years the struggle continued with non-violent forms of satyagraha, or how many years have passed since the dam was laid. The question is why did the World Bank withdraw from the project? What is the real number of families not yet fully rehabilitated and now to be forcibly evicted? Why is the dam being pushed just before the Gujarat Assembly elections? Why wasn't the water diverted into canals and to Aji dam in Saurashtra when the same amount of water was available in Sardar Sarovar since 2006 and the canals were empty and not fully built? Why are the issues of the downstream impacts to sea ingress and salinisation not resolved to date?

The biggest question is, are the judgments of the apex court fully complied with? The answer is no. Should the common people from the rural and tribal communities be made to run from pillar to post for the same? And even before they get the answers or the results, could the dam gates be closed, their fates sealed and justice denied by the governments that do not care and commit contempt of not only the courts but of the law? Let the sensitive readership and citizenry of this country answer.

Medha Patkar is a social activist and founder of Narmada Bachao Andolan and National Alliance of People's Movements

# Speaking the language of change?

The World Bank's reports show that social movements may be shaping the bank's language



NISSIM MANNATHUKKAREN

Democratic Centralism entails popular participation in formulating the plan at the enterprise level. – World Bank Romania country report, 1979

The World Bank's 'World Development Report 2017: Governance and the Law' is a remarkable document. Remarkable, because it is hard to believe that the World Bank authored this document. When the report cites Michel Foucault – that incandescent French thinker, who showed us how supposedly free and rational institutions of modernity are indissolubly linked with power and social control – it is time to pay attention.

### Politics and power

The report focusses on politics and power in development policy, and endeavours to move them "from the margins to the core of development thinking and action". Essentially, this goes against the soul of seven decades of development thinking – technocracy: reliance on capital, technology and (Western) experts and supposedly above

politics and power – perpetrated by international financial institutions (IFIs)/development agencies controlled by the Global North.

Contrast the report with scholar Bruce Rich's assessment of the World Bank during the presidency of Robert McNamara when the bank expanded phenomenally: "McNamara's grandiose vision involved a wager that was indeed Faustian – a risky experiment with life and nature, using simplistic technologies, and a fatal hubris about the bank's ability to know, plan and direct the evolution of human societies and the natural systems they depend on." This Faustian notion informed development projects in the Third World, whether inspired by the imagination of American economist W.W. Rostow in the 1960s, or that of neoliberal capitalist policy prescriptions of the Washington Consensus from the 1980s.

Reading the report in this context is like reading a treasure trove of ironies. There is a lot in it for those who oppose development as technical fixes and as Northern imperialism. The report, remarkably, emphasises public goods and public spending on health, education and infrastructure. It expresses concern that inequalities are growing, that inequality has a multiplier effect, and stresses that "ultimately, growth and inequality are

jointly determined". For the report, development is not the expansion of economic freedom, but following Amartya Sen, is the removal of all kinds of "unfreedoms" so that governance delivers the three goals of security, growth and equity achieved in ecologically sustainable ways. The report also gives a nuanced account of the democratisation processes. It has a useful survey of elites from 12 countries. The report's comparative scope is one of its strengths, giving interesting facts such as how multi-party elections led to the reduction of infant mortality rates in Sub-Saharan Africa!

### As a social document

The answer lies in reading the World Bank report as a social document. It is not just about the World Bank studying society, but turning the lens back on the World Bank. The bank is not detached from but is a part of the same social processes that it describes. Ironically, then, we have to follow the report's prescriptions: "taking politics seriously in development points directly to the need to challenge the interests of the power holders that control institutions – something that many development organizations have not yet decided they are willing to do".

What is different from four decades ago is that the bank is also responding to multifarious challenges to the development hegemony of the North (secured also by the participation of Southern elites). This hegemony ensured that the bank has always been headed by white American males (until the current president) when the planet is virtually kept alive by women who constitute 60% of the agriculture force in Asia and Africa. Unsurprisingly, many

World Bank presidents previously worked in defence departments and private corporations.

The resistances by social movements have led the bank to speak the language of the people. Hence, the increasing focus on issues such as gender rights, equity (the 2006 report was titled 'Equity and Development'), etc. Besides, the rise of China and India and their decreasing reliance on the bank makes the latter less powerful than before. Thus, acknowledging politics and power relations is one way to defuse the challenges to the bank's dominance.

There is a telling statement in the report: "The development community is talking the talk of politics. How much it will walk the walk is not yet clear." Ultimately, the question is whether the World Bank itself is willing to walk the walk. A 2015 United Nations Report called the World Bank as a "human rights-free zone" and that its policies consider "human rights more like an infectious disease than universal values and obligations".

Perhaps, it is time for those who control the World Bank to read its own 'World Development Report 2017'.

Nissim Mannathukkaren is Chair, International Development Studies, Dalhousie University, Canada

## LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

### Liquor-free zones

I for one was overjoyed to see the order of the Supreme Court, which came up with the order that National and State highways should be liquor-free zones. It comes as a shock now that it may be open to the sale of liquor on city highways ("SC open to liquor sale on city highways", July 5). It is strange that we care very little for those who are claimed by liquor. A family can lose a breadwinner and the workplace a good employee. If State governments are unable to find means to meet their revenue shortfall, they should perhaps look deeper for alternative remedies such as re-auctioning of bus routes, government buildings and taxing those who deplete natural resources. It is a poor situation where a state that is supposed to pursue the

welfare of people does things that are detrimental to them.

VINOTH RANGASWAMY, Chennai

Thousands of citizens like me are shocked by the clarification issued by the Supreme Court. I wonder if the court had the benefit of comparative statistics showing the number of accidents involving drunken driving on thoroughfares and within city limits.

L.T. MANOHARAN, Chennai

### A gulf with Tehran

From India's insistence on buying oil from Iran during the period of economic sanctions to Iran's Ayatollah's call for backing Kashmir, the tide has turned ("Signs of a Persian gulf", July 5). A possible alliance between Iran, Russia, China and Pakistan

can pose a huge threat to India. Not only will it isolate India in Asia, but it will also square off India with its eastern and western allies. Iran's changed stance needs to be handled tactically. The key to this has to be energy and defence cooperation. As far as Kashmir is concerned, the OIC has always had Pakistan speaking on it so we know why it results in such a stand. India could use the Balochistan issue as a lever since Iran is also a party to it and use Tehran to push Pakistan into eliminating terror.

NAVEEN RATTU, Chandigarh

### China talks tough

Riding high on the strengths of its economic and military power, China appears to be adopting an intractable stand ("Chinese envoy rules out compromise", July 5). Its frequent reference to

'history' on territorial issues with India conveys an element of arrogance. Subtle reminders of the 1962 debacle are irrelevant in 2017. Creating issues and then calling for dialogue is unacceptable. It is time China shed its hard line.

S. RAJAGOPALAN, Chennai

The Chinese Ambassador's remarks are perhaps the most belligerent and hawkish statements emanating from a mid-level Chinese official in recent times. Such preconditions are obviously unacceptable to India from a political and military point of view. A PLA spokesman reminding India of the debacle in 1962 shows a lack of maturity. At the same time, some of our defence personnel ought not to have joined in the war of words. With neither side prepared to blink first, one

only hopes that the tense situation does not escalate into a military conflagration.

S.K. CHOUDHURY, Bengaluru

### The key to Wimbledon

Despite the 'slowing nature' of grass that gives time for tennis players to hit the ball back from the baseline, there are fringe players who still believe in serve-and-volley tennis at Wimbledon ("Weekend Sport" page – "Net-rushing not dead", July 1). A close observation will reveal that the maximum number of highly seeded players at Wimbledon suffer early exits against unfancied opponents who rush to the net at the first opportune

moment. A classic example is Rafael Nadal, who won only two Wimbledon titles, two U.S. Open titles and an Australian Open title against 10 French Open titles in 15 years.

Those who camp at the baseline hoping for an unforced error from their opponents suffer from a distinct disadvantage of losing a match. Players who are good in all departments of the game alone can fancy their chances of winning. Proactive tennis, and not passive tennis, yields results at Wimbledon.

V. LAKSHMANAN, Tirupur, Tamil Nadu

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CORRECTIONS & CLARIFICATIONS: A sentence in a report, "Pandeemonium in J&K Assembly over GST" (July 5, 2017) read: "Consensus over the GST continued to elude the State Assembly as Opposition leaders barraged the Treachery Benches with allegations, ..." It should have been Treasury Benches.

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# An anguished farewell to austerity

The tragic fire at London's Grenfell Tower may well mark the end of a decade of economic austerity



ANDREW WHITEHEAD

As you drive along Westway, the elevated highway that leads from central London towards Heathrow airport, you come across the blackened skeleton of a 24-storey block of flats. This is Grenfell Tower.

In the early hours of June 14, a fridge-freezer in a fourth-floor flat exploded. A fire spread rapidly up the building. At least 80 people were killed – the final figure remains unclear. The incinerated remains of most of the dead remain inside that charred tower block.

The burnt-out ruins of the tower serve not simply as a reminder of a tragedy which has shocked and shamed the nation. It is also the gravestone marking the end of almost a decade of austerity.

## Life in the slow lane

In the wake of the 2008 financial crisis, the most profound shock to the global economy since the Second World War, the British government sought to stabilise the economy and support the beleaguered financial sector by cutting public spending. Welfare payments were hit, and so too were government-funded services – from the police to public libraries to day centres for the elderly.

This has been the U.K.'s longest period of economic austerity in living memory. When people could see the consequences of economic collapse in countries such as Greece and Spain, the case for tight controls on tax and spending seemed compelling to many.

Indeed, the policy of austerity has borne some success. The huge financial deficit – in part caused by the spurge of government money in 2008 used to forestall financial meltdown – no longer feels out-of-control.

The economy is doing tolerably well. After a sharp dip in 2008-09, economic activity is growing steadily and unemployment is low. So too, by global standards, is inflation – currently at 2.9%. But wage rises are even lower – most public sector workers have been pegged at 1% pay increases for several years.

Many of those in employment are



No more spending cuts: Protests against austerity last week in London. Tens of thousands of people gathered to protest in a march through the capital protesting against cuts to welfare spending. ■ GETTY IMAGES

now earning 15% less in real terms than they were a decade ago. That hurts. Most youngsters now expect never to earn as much as their parents did in their prime.

A cut in public money for universities also means that most students emerge from their studies saddled with debts of £40,000 or more (over ₹30 lakh). The young are convinced they are getting a raw deal.

## The election fallout

For several years, British politics has been hugely volatile and hazardous to predict. Three years back, Scotland came close to embracing the once outlandish idea of independence. Then a year ago the outcome of the Brexit referendum – the decision to withdraw from the European Union (EU) – delivered a seismic shock to the political landscape on a par with the election of Donald Trump in the United States.

Just last month, Britain's Conservative Prime Minister, Theresa May, held a general election three years earlier than she needed to. She expected to win a commanding majority in the difficult negotiations about the details of Britain's departure from the EU.

It was a gamble which Ms. May lost. The Opposition Labour Party – shepherded by the most left-wing leader in its history, Jeremy Corbyn –

campaigning for an end to austerity and an emphasis on social justice. They promised the abolition of student fees, and more public spending on the police and the health service. It struck a chord.

The Conservatives emerged from the election as the largest party in Parliament, but lost their overall majority. While Labour didn't win, it outperformed expectations. The national mood was no longer supportive of austerity.

In the aftermath of the election, Ms. May was obliged to do a deal with Northern Ireland's main political party to achieve a majority in Parliament. As part of that package, the government has agreed to stump up an additional £1 billion (₹8,400 crore) – much of it to be spent on services specifically for Northern Ireland, which has a population of under two million. Opposition parties argue that austerity is clearly over in Northern Ireland, so why should the rest of the country still have to suffer.

## Towering discontent

A recent survey reflects this emphatic change in public sentiment. For the first time in many years, more people support higher taxes and public spending than persisting with current levels. Eight in ten want more money for the state-funded National Health Service; seven in ten advocate more spending on state-

supported schools; six in ten agree on the need for higher spending on the police. Then came the blaze at Grenfell Tower. It stands in one of the richest areas of London. But it's social housing, controlled by the local authority and lived in largely by people on low incomes, many of them newcomers to the U.K. or born into immigrant families.

Both the Prime Minister and the leader of the local council have apologised for an inept response to the needs of those bereaved and made homeless by the fire. It's since transpired that the cladding used on this and many other tower blocks is not compliant with safety regulations. A criminal investigation is under way.

There's a lingering suspicion that, in one of the world's most prosperous cities, the poor and the marginalised were seen as less worthy of public money, care and attention. Many people feel that the trimming back of the public sector has gone too far.

The government is not yet reconciled to the increases in tax which higher public spending will require. But however they scrape together the money, Ministers will find a way of reflecting the new mood, reversing their policies and pumping more money into publicly-funded services.

Andrew Whitehead, a former BBC India correspondent, is an honorary professor in politics at the University of Nottingham

# Realise the de facto realities on J&K

We need to comprehend that there are vast areas in the State not in the control of India



V. SUDARSHAN

The row over the U.S. terming a part of Jammu and Kashmir as being "India-administered" is a bit overdone, if not hypocritical. Especially Ghulam Nabi Azad, a Kashmiri, and a Leader of the Opposition in the Rajya Sabha, attacking the government for not contesting the American characterisation. Mr. Azad called it a 'compromise' as regards national security.

The Americans were being merely factual, consistent with the reality on the ground when they said that "Under (Syed) Salahuddin's tenure as senior (Hizbul Mujahiddeen) HM leader, HM has claimed responsibility for several attacks, including the April 2014 explosives attack in Indian-administered Jammu and Kashmir, which injured 17 people." We may have our cartographic interpretations on the State's boundary but they have to be considerably hemmed in by the larger political and military realities.

Consider the map of Jammu and Kashmir. Not the one that we have been used to seeing in school geography books, the one in which we are shown sharing a border with Afghanistan, because that is totally off the mark. The reality is quite different, not at all consistent with notions of 'Akhanda Bharat' that seemed fashionable some time ago. It sometimes result in bizarre situations like when a Kashmiri politician like Mr. Azad may get inadvertently caught in a controversy for releasing a booklet showing Kashmir as 'Indian-occupied Kashmir', as happened in Lucknow in June.

Or, a situation like Prime Minister Narendra Modi telling an appreciative American audience in Virginia that no country uttered a word in reproach against the 'surgical strikes' conducted to defend Indian territory. Consider that territory: It lies along the Line of Control (LoC), in the areas which Pakistan controls.

No amount of hair-splitting can take away the fact that there are areas in Jammu and Kashmir which are in the control of Pakistan. In fact, Pakistan controls a significant portion of its western and northern parts. Some 78,000 sq. km of it, to cite a statement made in Lok Sabha. Any Indian, including Mr. Azad, needs special travel documents to get to the other side of the LoC. Similarly, it is absurd to think that we should attack our

own territory to defend ourselves so that Pakistan can be taught a lesson in deterrence.

## Cartographic 'Lakshman rekha'

Even at the height of the Kargil conflict, we did not cross the LoC. Was it strategic restraint? Common sense? Or acknowledgement of a reality that stares us in the face? It is certainly not cartographic aggression on the part of Pakistan or China. It is instead a cartographic *Lakshman rekha* that our politicians hold in utmost respect, even though there are resolutions in Parliament which exhort us to do the opposite and do everything within our means to recover all the territory we have ceded to Pakistan and China. This was formalised in April 2005 when we began permitting Pakistanis to come into Jammu and Kashmir in batches of 30 via Muzaffarabad on the Srinagar-Muzaffarabad highway, not with a passport but with special travel documents. In other words, if someone staying on our side of the LoC wants to go to let's say, Gilgit or Neelam Valley, his/her travel has to be sanctioned by Pakistani authorities.

In the area our maps refer to as Jammu and Kashmir, about 37,500 sq. km, comprising the Aksai Chin, is controlled by China. In addition, some 5,180 sq. km was gifted to China by Pakistan. How much does that leave with us?

The important thing is that our own politicians have in the past declared that the era of map-making has ended. Atal Bihari Vajpayee's Foreign Minister Jaswant Singh once said that map-making in the subcontinent has to end. He might as well have been echoing then-U.S. President Bill Clinton's injunction, after General Pervez Musharraf's Kargil misadventure, of 'four Rs': restraint, renunciation of violence, resumption of dialogue and, most importantly, respect for the LoC. That was the first time that the status quo was elevated to such a level as to provide the basis, a glimmer of hope, for a possible eventual outcome of one of the biggest outstanding differences between India and Pakistan. A question arises: If Kashmir is a formal outstanding bilateral issue between India and Pakistan, what will be China's role in an eventual outcome?

It is therefore logical that there exist vast areas of Jammu and Kashmir we have no control over whatsoever, administrative or otherwise. It is equally logical that the areas under our control, we administer. After a fashion, of course, but that is another debate.

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## SINGLE FILE

# Search for a new inflation normal

Concerns mount that a prolonged low interest rate scenario could risk stability

GARIMELLA SUBRAMANIAM



Paradoxically, policymakers are toying with the idea of tweaking up the inflation target for the industrialised economies though most central banks have consistently fallen short of the current 2% rate in the last 10 years.

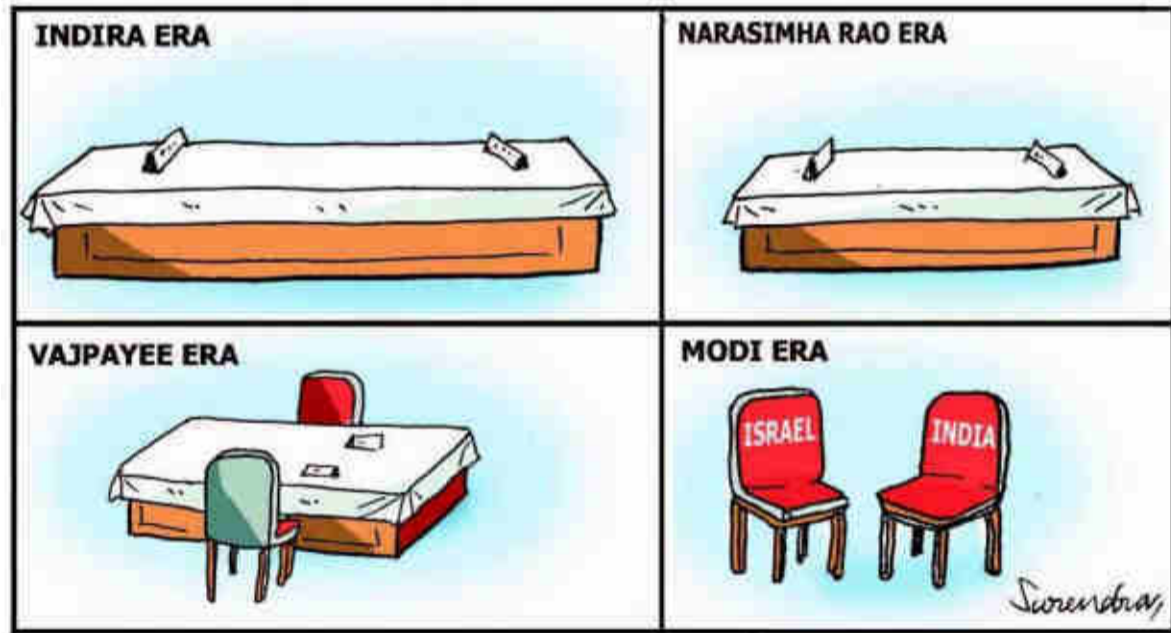
Underlying the search for an alternative is a concern that the prolonged sub-zero interest rate scenario following the financial crisis could herald a new normal in monetary policy.

The Basel-based Bank for International Settlements (BIS) is the most recent to sound a note of caution. Its annual report points to the risks to financial stability from low inflation and the consequent asset price bubbles, unless central banks moved away from their persistence with ultra-low cost of lending. Unsurprisingly, the debate is especially live in the U.S., which officially adopted the target as recently as in 2012 and where opposition has been mounting ever since.

The Chair of the Federal Reserve Janet Yellen, after the interest rate rise in June, declared the question of resetting the inflation goal to be critical in policy circles. For long sceptical of the 2% target, Ms. Yellen might well have repeated her prescient 1996 diagnosis that a higher inflation rate would allow the Fed some additional room to stimulate the economy during a downturn. A letter to the Federal Reserve by U.S. economists – including Nobel Laureate Joseph Stiglitz and former Minnesota Fed president Narayana Kocherlakota – last month had also called for an upward revision. The signatories claimed that there was no evidence to infer that a moderate increase in inflation would imply a lower standard of living for Americans and, conversely, that there was proof that a tighter labour market would improve the general conditions.

But the clearest sign yet of the cracks developing in the consensus around the current fixed target is an implicit suggestion by the Federal Open Market Committee of a flexible approach on the question. The FOMC, which had originally set the 2% target in 2012, has held for several months now that its emphasis on inflation is "symmetric", implying a temporary acceptance of deviations from the official goal. The strong opinion in the U.S. favouring a rethink would suggest that the Canadian approach of a periodic appraisal may be the way forward.

Across the Pacific, when the Bank of Japan embarked upon a monetary easing in 2013, the outlook was to hit the inflation target within two years. It has since deferred the aim twice; the current objective is to meet a late 2017 deadline. Sweden's Riksbank, the world's oldest central bank, which holds interest rates at a record -0.5%, said in May that it would soon implement a flexible variation of the strict 2% inflation norm. Opposition is also strong among several of Europe's pension funds, with low interest rates having a knock-down effect on their earnings. But the 19-nation eurozone, with the Nazi-era memories associated with the need for close monitoring of price stability, is unlikely to flinch from the mandate of close to but below the 2% inflation target.



## CONCEPTUAL

# Revolving door

POLITICAL SCIENCE

A phenomenon where bureaucrats and elected officials move to the private sector after or during their stint in government, and vice versa. The opportunity to work in both the public and private sectors leads to various forms of corruption, including conflicts of interest and regulatory capture. The case of U.S. Federal Reserve heads who go on to work for the private banking industry after their stints at the Fed is the most common example. It is feared that these officials, in their desire to improve their chances of getting lucrative positions at private banks in the future, might tinker Fed policy to favour these banks.

## MORE ON THE WEB

Delhi's manual scavengers: some die on the job, others drown or suffer. Is this Swachh Bharat? A video: <http://bit.ly/manualscavengersdelhi>

## FAQ

# It's raining loan waivers

A temporary solution to a permanent crisis

PRASHANTH PERUMAL

**Why are governments writing off loans made to farmers?** Farm loan waivers have a long history in India, and they have mostly been used as a tool by governments to temporarily address the problem of farmer distress. Presently, farmers have been affected by a rapid fall in the prices of farm goods after a year of bumper production. This has forced them to default on the loans they borrowed from banks. State governments, given the high costs involved, have been unable to procure the produce of farmers at remunerative prices. So they have resorted instead to loan waivers that cost less money.

**How widespread is the phenomenon?** The present spree of farm loan waivers gained national attention in April this year after the Uttar Pradesh government waived farm loans worth over ₹36,000 crore. State governments in Tamil Nadu, Maharashtra, and Punjab have also extended

similar waivers to their farmers, and this has now led to fears that farmers in other States too could begin asking for waivers.

**What is the impact of loan waivers?** Loan waivers impose a significant cost on the budgets of State governments since banks will have to be compensated by the governments for the losses they incur. Further, the offer to waive off loans could end up increasing the cost to governments by encouraging wilful default by farmers who can actually afford to pay off their loans. Loan waivers also lead to the problem of moral hazard. Farmers, when they know that the government will waive off their loans when things go wrong, are more likely to make poor investments or take higher risks. Some, like former RBI governor Raghuram Rajan, have argued that loan waivers are only the symptom of an underlying problem. The real problem, they argue, may be populist lending that has pushed Indian farmers into a debt trap.

**Why do some governments take recourse to waivers as a necessary solution?** Farmers are a powerful vote bank for many major political parties, so State governments have had to budge to their demands. Maharashtra, for instance, faced a shutdown that affected the supply of essential supplies like milk and vegetables. Chief Minister Devendra Fadnis soon gave in and announced the waiver of loans worth over ₹34,000 crore and other benefits.

**What could be an alternative solution to the agrarian crisis?** Indian agriculture faces a secular crisis due to the risks involved in agriculture, and the lack of sufficient returns. Many economists have argued that this cannot be solved through temporary populist measures, but instead requires structural reforms. Such reforms can help improve farmer incomes and also encourage farmers to seek their livelihood in more profitable sectors of the economy.

## FROM THE HINDU ARCHIVES

FIFTY YEARS AGO JULY 6, 1967

# Extremists demonstrate in Naxalbari

About 600 Left Communist extremists marched in a procession towards the Naxalbari police station this afternoon [July 5], according to reports received here [Darjeeling]. When they were 200 yards from the station, the police wanted them not to proceed further but to disperse. After shouting slogans, the extremists are reported to have moved away and held a meeting in a village near the police station. The extremists were armed with bows and arrows, and other lethal weapons. Violating the prohibitory orders on assemblies, they marched towards the police station in a procession along the Pari river from Mainiram Jote, one of the five extremists strongholds, bordering Nepal.

A HUNDRED YEARS AGO JULY 6, 1917

# Lord Ronaldshay on self-government.

Replying to the welcome addresses presented to H.E. the Governor at Dacca yesterday [July 4], His Excellency referring to Self-Government said: With regard to a greater measure of Self-Government to which you look forward, I think it only right that I should utter a word of caution lest you be encouraged to cherish hopes which are not destined to be fulfilled. I should indeed be a false friend to you if I were even to seem to give consent by my silence to the belief which some of you express that this aspiration can possibly be realised within the brief period of my rule. Those who seriously hold any such belief, if indeed there be any such, can have given no thought at all to the immense practical difficulties which stand in the way. I would command to their attention the informed and considered opinion of the President of the National Congress held in Bombay two years ago that the path is long and devious and that we shall have to tread weary steps before we go to the promised land.

## DATA POINT

# Tiger, tiger, burning bright

Estimates of tiger population in the various forest habitats in India have steadily shown an increase over time in the last decade. The latest data is from 2014:

