

The
Hindustan Times
ESTABLISHED IN 1924

No easy answers to deflation risk

Economic Survey shows India faces a balance sheet recession

India is now grappling with a balance sheet recession that has perhaps put the economy close to deflation. This stunning insight lies at the heart of the excellent second volume of the Economic Survey released by the finance ministry on Friday. The first volume was released in January.

The Survey argues that the problem of over-leveraged private sector balance sheets makes the current economic downturn resemble what countries such as Japan, Spain and China experienced in recent decades.

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As the Survey points out: "The Indian boom of the 2000s has not been followed by serious deleveraging. While the slow growth of bank credit in the last two years has been a source of concern, the question may well be not the slow-down but whether there has been enough of it. If deleveraging is a necessary condition for the resumption of rapid growth, perhaps India needs less credit growth — or to be precise more debt resolution and reduction — in the short run". This is the sort of boom-and-bust cycle that has been analysed by economists such as Irving Fisher in the 1930s and Richard Koo in the 90s. Further, the finance ministry believes a witches' brew of economic trends adds deflationary risk to the Indian economy — real exchange rate appreciation, farm loan waivers, increasing financial stress in power and telecom companies, rural distress and the immediate effects of the new goods and services tax (but curiously does not mention demonetisation in this context).

Finance ministry economists are hammering away at the deflation risk in the first few pages of the Survey, given the recent debates about whether the RBI is keeping monetary policy too tight. The Survey makes three points. First, the central bank has been overestimating inflation in its forecasts. Second, India is in the middle of a structural fall in inflation thanks to the global commodity cycle. Third, standard tools such as the Taylor Rule suggest that policy interest rates are up to 75 basis points higher than required. Officials make a peace offering by agreeing that a central bank could be hawkish to build credibility in the early years of inflation targeting. What's to be done? This is where the Survey treads on water. The standard response is resolution of excess debt plus a fiscal stimulus to domestic demand. Lower interest rates rarely work since a private sector in debt prefers to hold on to savings from lower rates rather than spend.

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BARKHA DUTT



Rajya Sabha polls: Ahmed Patel won in Gujarat, not the Congress

If the party has to survive, its political feudalism has to make way for intra-party federalism

The dramatic midnight twists and turns in what should have been an anodyne and colourless Rajya Sabha election from Gujarat tells you one thing about the BJP under Amit Shah: It is in constant poll mode. No election is too small; no seat too inconsequential for the take-no-prisoners approach of the party president and his expansionist ambitions. But this time, did Shah's over-enthusiasm end up doing the beleaguered Congress a favour? Did the eventual fight to the finish challenge the BJP's notion of invincibility? Ahmed Patel, the elusive, influential political secretary to Sonia Gandhi has lived to fight another day and a party — otherwise paralysed by a weird mix of denial and despair — has been forcibly shaken from its stupor.

But hold both the applause and the commiserations just yet. Admittedly the party showed a rare, never-say-die energy in swiftly mobilising the Election Commission when two of its cross voters revealed their ballot was for the BJP; but at the end of the day it is Ahmed Patel who won and not the Congress.

Leveraging what one Congressman described as "old equities" Ahmed Patel's fight to retain his seat was almost entirely an individual battle till the penultimate moments when the party machinery got involved. Till then most Congressmen were busy trying to find some disassociation between Patel and his boss Sonia Gandhi. Had he lost, the defeat would have been pinned at his door; now that he has won, the party wants to share the credit.

If anything, Patel's victory — met with distinctly noticeable silence on social media by Rahul Gandhi who found time to publicly tweet Venkaiah Naidu but not his own

party's veteran — has exposed the internal fault-lines and the generational collisions within the party. One Congressman said Patel's victory had pushed Rahul Gandhi "deeper into a shell." The tenuous relationship between Gandhi and Patel is well known to those who track the Congress. For the past three years amid clichéd forecasts of Rahul Gandhi taking over from his mother, Patel would frequently tell those who met him that most decisions had been taken without him in the loop. Even accounting for characteristic self-deprecation, Patel did not hide the fact that he was not central to the decision-making of Rahul and his sister Priyanka.

Equally, Rahul is known to have told people close to him that the Congress needs an "open-heart surgery"; he privately believes that something original can rise only from the ashes of the old-guard politics that leaders like Patel represented.

The Gujarat victory proves any such obituary to be vastly premature. In any case the older Congressmen have shown way more spunk than the less-driven, more urbane and distinctly less political younger Turks, whether in Gujarat, or earlier in the year, in Punjab. Far from dislodging them — as the Rahul Gandhi camp may have hoped — the Rajya Sabha polls have guaranteed that the generational confusion in the party will persist. Decisions will continue to fall between what nine-time Member of Parliament Kamal Nath called, "two stools" when he plaintively told me in 2015 that no organisation can have "two bosses."

The other reason the Congress shouldn't be celebrating — though Ahmed Patel can — is the party's failure to build and retain strategic alliances without putting itself at the centre of them. The mystery over whose 44th vote took Patel across the finishing line



Senior Congress leader Ahmed Patel with the party's Gujarat president Bharatsinh Solanki in Ahmedabad, August 9
SIDDHARAJ SOLANKI/HINDUSTAN TIMES

persists, but it seems likely that Sharad Pawar's party abandoned the Congress. The loss of Nitish Kumar in Bihar and the Nationalist Congress Party in Gujarat could have a domino effect among other regional players. The inability of the Congress to internalise a new reality and shed its entitled attitude to power has led it to over-assert for seats and influence with regional players. Gujarat must teach it otherwise.

Finally, the party will be stuck in the same morass unless it abandons the 'high command' culture and idiom. Its Delhi-centric political feudalism (where state leaders have to wait eons to even get the attention of the leadership) will have to move to intra-

party federalism if it has to survive. In a state where the Congress has been out of power for three decades, leaders like ShaktiSinh Gohil showed a remarkable appetite for a good fight. Will he be empowered or flung aside as so many others have been before him?

In the end the Congress will have to script a new narrative and be willing to take a backseat to allow other, more rooted leaders to shine in the spotlight. Otherwise, in the long term, Patel's victory will become more about survival than winning.

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KANISHK THAROOR



Nothing really trumps the primordial power of rallies

The US president and the Indian PM have successfully used such gatherings to build their political personalities

Donald Trump's voluble threat to bring "fire and fury" upon North Korea was surprising for a number of reasons, including its forum. He made the pronouncement at a press conference, not on Twitter, the usual arena of his bluster.

Trump has sought refuge from his political struggles in two places, one virtual and the other physical. His presidency has become synonymous with his outbursts on Twitter, the online platform he uses to rant and rave (and sometimes, to his credit, canny direct and distract media attention). He does not subscribe to the maxim that "silence is golden". Where most leaders maintain highly restrained and calibrated public persona, Trump seems offended by the very compulsion of restraint. He is happy to defy enemies and allies alike with his intemperate, crack-of-dawn Twitter rambles.

However, Trump's "happy place" (apart from the golf course where he is currently

holidaying) is not Twitter, but the rather old-fashioned pulpit of the rally. After winning the presidency, he has convened many public gatherings of his supporters. It's a measure of how reluctant he has been to turn from campaigning to governance, or how he sees governance as a kind of endless campaign. Trump is in his element in forums like the rally he held in Ohio on July 26. He delivers his trademark heated, stream-of-consciousness speech, and gets to soak up the applause and roar of his supporters.

Political analysts obsess about the ways modern technology and social media are transforming democratic politics. But nothing really trumps the primordial power of the rally. Public manifestations have been a central part of the rule of Recep Tayyip Erdogan in Turkey. It's difficult to imagine the Turkish president without the teeming squares of flag-waving supporters massed in front of him. Likewise, Narendra Modi has masterfully built his political persona through rallies. These leaders recognise



US President Donald Trump at the Covelli Centre in Youngstown, Ohio, July 25
TNS VIA GETTY IMAGES

that much of the public wants to feel mobilised, that people crave not technocratic policy detail but drama and passion.

As his rhetoric against North Korea shows, Trump believes strongly in cultivating drama. Americans were shocked in July when Trump turned an appearance before a convention of the Boy Scouts — a bland but hallowed America institution — into a rally. Some critics saw disturbing echoes of totalitarian regimes in the sight of thousands of uniformed boys chanting their approval of the president. The head of the Boy Scouts has since apologised for the insertion of "political rhetoric" into their convention.

Trump is, of course, entirely unapologetic. He revels in the cult of personality he has spun around himself. "It's much easier to act presidential than what we are doing

here tonight," he told his fans in Ohio, suggesting he is almost proud of the strangeness of his presidency. These rallies provide Trump all the affirmation that his chronically low approval ratings (36.9% at last check) cannot. They offer the veneer of strength and momentum when in fact his administration is plagued by infighting. He attacks the media for stymying his agenda, when he has really been thwarted by divisions within his own Republican party.

But most importantly, these rallies help cement Trump's position among the minority of Americans who remain firmly in his camp. His rallies are like the passion plays of medieval Europe, figuring a virtuous hero against forces of evil in a quest for the redemption of the people. By some calculations, 25% of voters are committed Trump loyalists. Their support for the president has not been dented by the ongoing investigations into his campaign's links to Russia, nor by the chaos of his White House, nor by his failure so far to pass any of the major reforms and measures he promised, nor by his dangerous brinkmanship with North Korea. They see themselves as participants in a greater struggle, removed from the boring detail of politics, a struggle for the spirit of the nation.

I've never felt the appeal of a political figure in this emotional way, but it would be a mistake to underestimate the power of these spectacles and what they represent. By conventional political standards, Trump is a shambolic leader. His presidency so far has been inept to the point of farce. And yet he retains a core following who believe in him at a level beyond politics itself. His opponents may find it hard to topple him if they can't inspire that same faith.

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The views expressed are personal

anotherday

NAMITA BHANDARE



The fightback from women has begun

The Chandigarh stalking has received more than usual attention, some of it because one of the two men accused, Vikas Barala, is the son of the state's BJP chief.

But much of it is also to do with what happened afterwards and the unflinching quest for justice by the woman they allegedly targeted.

Varnika Kundu stood her ground as assorted politicians, lawyers and uncles

asked the usual questions — why was she driving so late at night? Was she drunk? She stood her ground through fake photographs, lost and found CCTV footage and speedy bail.

She stood her ground right until the eventual arrest of Barala and his friend, Ashish Kumar.

Sure, MPs like Kirron Kher and Harsimrat Badal in a brave display of decency spoke up for her. Media channels were for once united in supporting her. And her

fight on social media inspired at least one hashtag #AintNoCinderella as women posted selfies of themselves after midnight. "We are independent and we don't need you to curb our freedom," tweeted Rekha Navani.

But, supported by an articulate and calm father, it has been one woman's fight, and this is the unexpected twist to an otherwise routine crime story.

Stalking is only one of the many forms of violence faced by 48.5% of the country — the statistic itself a rebuke. In 2016, 7,132 cases of stalking were registered and just this past week, a 17-year-old girl on her way to school was stalked by five men who, after she rebuffed them, slit her throat and killed her.

The dominance of public spaces by men makes women less-than-equal citizens, unable to participate fully in education and employment. It goes against the grain of our Constitutional rights to equality and dignity.

You cannot celebrate 70 years of Independence if half your citizens are too

scared to be out on the street, parks or the metro.

It's time to reclaim this space. It won't be easy. Not many women have Varnika's resilience. And public support remains ranged against the free movement of women.

But a fight-back has begun. Whether it's Varnika Kundu or Gurmehar Kaur, a new generation of women is speaking up and saying 'enough'.

These women are unwilling to be victims. They are saying, 'you cannot wish us away'. In his first Independence Day address as prime minister, Narendra Modi had asked parents to control their sons. Perhaps it's time for him to call for a second freedom movement — for daughters.

To enable their full participation in civil society. To be able to go out. To study. To work. To have fun. To just live their lives.

It's time for all of us to be truly free.

Namita Bhandare writes on social issues and gender.
The views expressed are personal

One must use great discretion while choosing one's friends

innervoice



Bidyut Kumar Sanyal

The role of friends in our life is very important. So when choosing them, one must be very careful and selective. We cannot make friends randomly because their association sometimes proves to be more dangerous than anything else. Our life is surrounded with a lot of seemingly trivial issues. So in some point of need, we feel the help of people surrounding us, and in course of time, we become more familiar with them than our relatives, and thus we become friends with each other. But real

friends, whose benevolent association is always helpful to accomplish constructive tasks in our lives, are rare.

In the multifaceted nature of life, we may fairly consider the best friends are the most important parameter, always acting as a positive catalyst in our lives. We go on to treat them nothing less than family members. So to enjoy our life, it's best if you're surrounded by good friends. They are like good books — those that give us knowledge of different fields and enrich our lives. Good friends are no less than valuable treasure in one's life.

Here's a befitting quote by Helen Keller: "I would rather walk with a friend in the dark, than alone in the light."

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