



Power play

BJP senses an opportunity to return to power in Karnataka through a series of defections

With two MLAs of the Congress resigning from the Karnataka Assembly, it is clear that horse-trading to pull down the State government is under way. The BJP is not just waiting in the wings; it is actively trying to reenact a script it has perfected over a decade and more. The resignations of Vijayanagar MLA Anand Singh and Gokak MLA Ramesh Jarkiholi can only be seen as a replay of a strategy the BJP used earlier, luring Opposition MLAs to resign from the Assembly, thereby forcing by-elections. The BJP's confidence in winning the by-polls stems from its spectacular showing in the Lok Sabha election. The party is yet to reconcile itself to the role of the Opposition after having emerged as the single largest party in the May 2018 Assembly election. At 105 seats in the 224-strong House, it was eight short of a simple majority and began plans to manoeuvre its way to power. The BJP appears to be convinced that the time is ripe for a strike, both because of its success in the parliamentary election and the disenchantment in the Congress over the alliance with the JD (S). If enough number of coalition MLAs resign, the BJP could claim a majority with its present strength in an Assembly of reduced strength, and by-polls could follow. The Congress-JD(S) coalition could be facing a stormy Assembly session, scheduled to begin on July 12.

A Karnataka model had come to inspire non-BJP parties nationally after the formation of the coalition government. The Congress decision to concede the Chief Minister's position to junior partner JD(S) in order to prevent it from joining hands with the BJP was remarkable. But it was also remarkable for its opportunism. Instability is inherent in coalitions led by smaller partners, but the present contradictions in the Congress in Karnataka, the only southern State where the party is face-to-face with the BJP, have another dimension. Legislators yearning for positions of power is nothing unusual, but they usually think twice before crossing over to a different party. The skills of leaders and claims of a larger purpose, however meagre those may be, are factors that hold together vastly divergent ambitions within a political party. The Congress is lacking in these aspects and is paying a heavy price. If power is the only glue, it is natural that legislators who are denied ministerial berths would rebel. The party still enjoys significant public support in Karnataka, as was demonstrated in the local body elections weeks after its rout in the Lok Sabha election. The Congress cannot lend itself to brazen business and rent-seeking rivalries that overshadow politics in Karnataka. If the party and its coalition survive the current turmoil it will still be only a hiatus. Their long-term survival will be even more challenging, requiring an ideological reorientation and commitment to addressing the people's larger livelihood concerns.

Mumbai marooned

Despite past experience, the metropolis remains unprepared for the monsoon

Mumbai once again struggled to stay afloat after the first heavy spell of rain this year, bringing back memories of the July 2005 flood. Each massive rainfall event is making it evident that the city is putting on a brave front and projecting resilience, but the failure of the Maharashtra government to upgrade its tattered infrastructure is taking a heavy toll and weighing down on the financial capital. A single day of rain has killed 22 people in a wall collapse in north Mumbai, while many more died in Pune and elsewhere. In Ratnagiri, a dam gave way creating a catastrophe; flights have been cancelled and normal life is affected. Clearly, the State government should have regarded the 94 cm of rain that paralysed Mumbai in one day 14 years ago as the baseline disaster to prepare for. That it could not manage 37 cm in 24 hours, that too after incurring a massive expenditure on management projects, shows a lack of resolve among political leaders, rampant inefficiency and lack of integrity in the administrative machinery. As one of the wettest metropolises in India getting about 210 cm of rain annually, it should have been a top order priority to restore rivers and canals to manage floods. The government of Chief Minister Devendra Fadnis needs to explain why Mumbai is yet unprepared to cope, especially when rainfall is projected to become erratic in coming years, and when scientific insights point to intense rainfall in a short span of time, driven by warmer oceans and hotter cities.

In a recent report, the Comptroller and Auditor General identified prolonged delays in the upgrading of storm water drain infrastructure in Mumbai. On the other hand, after the deluge of 2005, the consensus was for the flood-carrying capacity of the Mithi river in the city to be increased. But the choked and polluted river was again overflowing this year. Beyond the sclerotic management of flood waters that relies on storm drains in Mumbai, and several other Indian cities, there is a need for a new urban paradigm. For one thing, Mumbai, Thane, Ratnagiri and Raigad have, during the last century, displayed a high seasonality index, indicating a relatively small monsoon window bringing a lot of rain. This is in contrast to steady, prolonged rain in the central districts in Maharashtra. So a new climate change-influenced normal could mean fewer days of torrential rain and erratic monsoons. Managing them calls for a new approach that is ecological, and makes restoration of existing urban wetlands and creation of reservoirs and water channels a high priority. The water question is the biggest challenge for Indian cities today, as both drought and flood are common. State governments should give it priority and address it by making urban planning people-centric. A strong framework is needed to manage water, starting with Mumbai.

Hurdles, ideas and silver linings

The economy needs a stimulus and the Budget has to push for growth while ensuring fiscal responsibility



RAGHUVIR SRINIVASAN

Faltering GDP growth, a consumption slowdown, a truant monsoon that has already hit kharif sowing, global trade tensions and a freeze in the credit market that has set alarm bells ringing across the financial system. This is the backdrop to the maiden Budget of the Finance Minister, Nirmala Sitharaman.

Walking a tightrope

The Minister has had less than a month to work on this crucial Budget which is expected to work its magic on the economy. Ms. Sitharaman's position is unenviable. She has to push for growth, which means stimulus measures, but also stay fiscally responsible, which means sticking to the fiscal deficit glide path. This balance is almost impossible to achieve in an environment where tax revenues do not offer enough support for a stimulus package.

The questions before Ms. Sitharaman are simple: Should she opt to stimulate consumption in the economy even if it means putting the fiscal deficit glide path in temporary cold storage? If yes, what is the best way to do that?

Following from the above are subsidiary questions such as these: Will the resultant higher borrowings crowd out the private sector borrowers and push up market interest rates at a time when the monetary authority is driving rates down? What will be the impact on inflation? Should the stimulus be in the form of cutting taxes and putting more mo-

ney in the hands of the consumer? Or should it be in the form of even higher spending on infrastructure that will have definite fiscal spin-offs? And what about welfare spending? The government has already announced an expansion of the Pradhan Mantri Kisan Samman Nidhi Yojana that will take away ₹87,500 crore this fiscal. And there are many other pet schemes of this government that need to be funded.

Ground realities

To be sure, the answers are not easy. But just consider these. GDP growth fell to 5.8% in the fourth quarter of 2018-19, with important industry segments reporting a fall in growth. Sales of automobiles, the bellwether for the larger economy, has been sliding since October last year and in the first quarter of this fiscal, sales volumes are down by about 18%. Fast moving consumer goods, two-wheeler and consumer durables manufacturers are all reporting dull rural sales.

Real estate and construction, one of the biggest job creators in the economy, have been in stupor for several months and are a direct cause of the credit freeze in the markets now. It is clear that the bottom has fallen off consumption demand, something reflected in the annual results of a host of companies in the consumer sector.

Given these, there is little doubt that the economy needs a stimulus. The downside to the government embarking on this path is clear. Direct tax revenue growth failed to meet budgeted levels in 2018-19, falling short by ₹82,000 crore from the target of ₹12 lakh crore. Goods and Services tax collections, though rising, are still not stabilising at the required level of between ₹1,00,000 and ₹1,10,000 crore a month.



GETTY IMAGES/ISTOCKPHOTO

It will be next to impossible for the government to meet its over-ambitious tax estimates in the interim Budget for 2019-20. And then there are the bills to pay from last year to the Food Corporation of India and a couple of other public sector undertakings which helped the government 'achieve' the fiscal deficit target last year.

Pros and cons of options

There are a few options that the government can consider for off-balance sheet financing. First, go big on asset sales. The interim Budget had earmarked ₹90,000 crore from disinvestment but if the government is able to successfully pull off the Air India sale, it would be almost half-way there. There are a host of other government companies that can be sold off to raise the targeted proceeds.

Second, a one-time transfer from the Reserve Bank of India's reserves, which is under the consideration of the Bimal Jalan Committee. However, if reports of the committee's deliberations are to be believed, it may be futile for the government to hope for a major windfall here. The committee will anyway submit its report well after the Budget is presented.

Third, 5G spectrum auctions. While there is reason to hope for some support here, it is unlikely that it would materialise this fiscal. The telecom companies are still

licking their wounds from the combined effect of past excesses and bruising competition in the market. Their appetite, as it is, is poor for any more spectrum. So pushing through a 5G auction now would be disastrous.

That leaves us with just one option – that of increasing borrowings which will, of course, mean curtains for the fiscal deficit target of 3.4% this fiscal. Higher government borrowings may elbow the private sector borrowers out.

Increased borrowings by the government will have the unintended negative consequence of pushing up market rates which is something that the government would not desire. And then, of course, there will be questions to answer from Standard & Poors and Moody's which are certain to take a dim view of the fiscal indiscretion.

But then there is some good news too. Thanks to the recent directive of the stock market regulator, the Securities and Exchange Board of India directing mutual funds to put away 20% of their liquid scheme investments in government securities, a new market opens up for the government. Whether it is deep enough to absorb the increased borrowings is a matter of detail but it can certainly cushion the market to some extent.

Second, yields on government securities are at around 6.82% currently. So even a 10 or 20 basis point rise due to higher borrowings may not cause much dissonance. The market is aware of the difficult circumstances now and should be able to take this in its stride.

As for the ratings agencies, the government needs to be in dialogue with them, reiterate its commitment to fiscal discipline and reassure them that this is a tem-

porary aberration.

On stimulus

So, once the decision is made to be accommodative, Ms. Sitharaman's problem will be to identify the best way to impart stimulus. There are two choices – either to cut taxes and let consumers to go out and spend the excess. Or just borrow and spend on asset creation in infrastructure. Given that there is a serious slowdown in consumer-facing sectors, the better option may be to put more money in the hands of consumers.

A good option to consider would be adjusting income tax slabs and increasing deductions under Section 80C which is a measly ₹2 lakh now. Better still would be to increase the interest deduction for housing loans which would also give a boost to the real estate market. These measures would run counter to the reform objective of easing out all exemptions and lowering rates. But then that is under examination by the Direct Tax Code (DTC) panel; the concessions given now will automatically become a temporary measure assuming that the DTC is soon implemented.

The fall in tax revenues from the concessions will be eventually made up downstream from indirect taxes if consumers spend the extra money in their hands. The choice to borrow and spend is indeed a difficult one but in the current circumstances this may be inevitable. Fiscal conservatives are bound to frown at this and there would be dire warnings of the consequences of not adhering to the fiscal deficit commitment. The best answer is that this government now has five years to make up for the indulgence. Will Ms. Sitharaman go the whole way?

raghuvir.s@thehindu.co.in

The primacy of the elected

The questions the constitutional crisis in Puducherry raises are fundamental to the concerns regarding federalism



MATHEW IDICULLA

The return of the Bharatiya Janata Party-led National Democratic Alliance government in 2019 with a resounding majority in the 17th Lok Sabha raises pertinent questions about the future of federalism in India. Will a "strong" Union government which does not require the support of "regional" allies be detrimental to the interests of States? While the Prime Minister has often invoked the need for "cooperative federalism", the actions of his government in its first term sometimes went against this stated ideal. These include dismantling the Planning Commission and transferring its power to make state grants to the Finance Ministry; introducing terms of reference to the Finance Commission which threaten to lower the revenue share of the southern States; and the partisan use of the Governor's office to appoint Chief Ministers in cases of hung Assemblies.

The most blatant abuse of power was the imposition of President's Rule in Opposition-ruled Arunachal Pradesh and Uttarakhand, decisions the Supreme Court subsequently held as unconstitutional. Further, through the Lieutenant Governor (LG), the

Centre ran a protracted war with the Delhi government which brought its administration to a stalemate until the Supreme Court affirmed the primacy of the elected government. A similar long-running battle between the LG and Chief Minister of Puducherry has now reached the Supreme Court. This case will further test the strength of Indian federalism in the Modi era.

Distinct provisions

Since the appointment of Kiran Bedi as the LG in May 2016, Puducherry Chief Minister V. Narayanasamy has protested her continual interference in the daily affairs of the Puducherry government and running an alleged parallel administration. The Union Government, in clarifications issued in January and June 2017, further bolstered the case of the LG. When this was legally challenged, the Madras High Court quashed the clarifications issued by the Union government and ruled that the LG must work on the aid and advice of the Council of Ministers and not interfere in the day-to-day affairs of the government. The Union government challenged this decision in the Supreme Court where a vacation Bench passed interim orders recently restricting the Puducherry cabinet from taking key decisions until further hearing.

The Madras High Court had relied on the 2018 decision of the Supreme Court regarding the power of the National Capital Territory (NCT) government of Delhi. In that



GETTY IMAGES/ISTOCKPHOTO

case, a five-judge Bench unanimously held that the Chief Minister and not the Lieutenant Governor is the executive head of the NCT government, and that the LG is bound by the aid and advice of the Council of Ministers. It held that the executive power of the NCT government is co-extensive with the legislative power of Delhi's Legislative Assembly and the LG must follow the decisions of the cabinet on all matters where the Assembly has the power to make laws.

Puducherry, like Delhi, is a Union Territory with an elected legislative Assembly and the executive constituted by the Lieutenant Governor and Council of Ministers. However, Puducherry and Delhi derive their powers from distinct constitutional provisions. While Article 239AA lays out the scope and limits of the powers of the legislative assembly and council of ministers for Delhi, Article 239A is merely an enabling provision which allows Parliament to create a law for Puducherry. Interestingly, while Article 239AA restricts Delhi from creating laws in sub-

jects such as police, public order and land, no such restriction exists for Puducherry under Article 239A. In fact, the Government of Union Territories Act, 1963 which governs Puducherry vests the legislative assembly with the power to make laws on "any of the matters enumerated in the State List or the Concurrent List". Hence, the legislative and executive powers of Puducherry are actually broader than that of Delhi.

After analysing the laws and rules governing Puducherry, the Madras High Court held that the LG has very limited independent powers. Under Article 239B, the LG can issue an ordinance only when the Assembly is not in session and with the prior approval of the President. If there is a "difference of opinion" between the LG and the cabinet on "any matter", like in Delhi, the LG can refer it to the President or resolve it herself if it is expedient. However, the Supreme Court in the NCT Delhi case held that "any matter" shall not mean "all matters" and it should be used only for "exceptional" situations. Hence, there is no legal basis for the LG to exercise powers independently and bypass the elected government of Puducherry.

Respecting federalism

Ultimately, the question is whether state actions should respect the underlying principles of democracy and federalism. Why should a legislative Assembly be elected and a Council of Ministers ap-

pointed if actual powers are independently exercised by an unelected nominee of the Centre? The Supreme Court, in the NCT Delhi case, rightly employed a purposive interpretation of the Constitution to hold that since representative government is a basic feature of the Constitution, the elected government must have primacy. Given this precedent and the fact that Puducherry has lesser legal restrictions on its powers, the Supreme Court should uphold the Madras High Court judgment and ensure that the LG acts only as per the aid and advice of the elected government.

Perhaps because of its distance from Delhi, small area and relatively low political heft, the constitutional crisis in Puducherry has received far less attention than it deserves. However, the questions it raises are fundamental to the concerns regarding federalism in India. While Puducherry may not be a "State" under the Constitution, the principle of federalism should not be restricted to States but also include the legislative Assemblies of Union Territories and, arguably, councils of local governments. As more centralising measures such as simultaneous elections to Parliament and State Assemblies are being proposed by the Centre, it is important to reaffirm the values of federalism at every forum.

Mathew Idiculla is a research consultant at the Centre for Law and Policy Research, Bengaluru

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.

Lip service

Prime Minister Narendra Modi's warning that he would not tolerate arrogance and misbehaviour is just lip service and, in reality, he wouldn't take any action against erring members, as can be seen from his past record (Page 1, "Won't tolerate bad behaviour, PM Modi warns BJP members," July 3). He maintained studied silence against legislators following the Kathua and Unnao rape incidents and numerous attacks by cow vigilantes. He never condemned remarks by leaders from his party like Yogi Adityanath, Jayant Sinha and Pragyaa Thakur. It is futile to expect such action from him now. KSHIRASAGARA BALAJI RAO, Hyderabad

Trump's Korea gambit

U.S. President Donald Trump's off-the-cuff personal diplomacy is an excellent way to bring some thaw to a frozen relationship (Editorial, "Trump in North Korea," July 3). One only hopes that this leads to meaningful dialogue and the two countries move away from their rigid positions on denuclearisation and sanctions relief to strike a middle path. KOSARAJU CHANDRAMOULI, Hyderabad

Unrealistic goal

Prime Minister Narendra Modi's goal of a \$5 trillion economy by 2024 seems to be unrealistic (Editorial page, "Not by wishful thinking," July 3). India has to grow at an annual rate of

13%, which is impossible without an increase in agricultural productivity and transfer of semi-skilled labour from agriculture to other sectors. Escalating trade tensions, stagnant exports and low consumer demand are among the challenges in our path. ALAN SEEMON, Kottayam, Kerala

Health-care woes

Pathogens cause disease in general but it is poverty that causes disease in India (Op-Ed page, "Health care's primary problem," July 3). Many patients visiting the tertiary health-care institutions are from rural areas who cannot afford private medical care. Policymakers can bring down their numbers by equipping better the

Primary Health Centres and Community Health Centres – an astonishing number of them are poorly manned and resourced. As long as apathy plagues the decision-makers, it would be futile to expect any positive change. A.G. RAJMOHAN, Anantapur, Andhra Pradesh

Sunny's representative

Bharatiya Janata Party (BJP) MP Sunny Deol's act of appointing a 'representative' to attend meetings and follow up on important matters on his behalf is not only strange but also unheard of (News page, "Sunny Deol appoints representative, draws ire," July 3). Mr. Deol, an actor who has played macho roles, is trying to assume a larger-than-life image as a

politician. Fortunately, he has not so far authorised the 'representative' to attend the Parliament and take part in the deliberations on his behalf. C G KURIKOSSE, Kothamangalam, Kerala

Policeman suicides

The article, "Why policemen kill themselves," (July 3) has sensitised readers to the high emotional costs borne by our country's police

officers. Though the police force is idolised, the perils of working there do not motivate many to join it. This only skews the already low policeman-citizen ratio further. The state needs to care for the well-being of our policemen, in addition to ensuring a more humane work environment and better welfare provisions. VARSHA V. SHENOY, Mangaluru

MORE LETTERS ONLINE: www.hindu.com/opinion/letters/

CORRECTIONS & CLARIFICATIONS:

A report headlined "LCA Tejas drops fuel tank on farmland in Coimbatore" (some editions, July 3, 2019) had erroneously given the full form of LCA as Light Compact Aircraft. It should have been Light Combat Aircraft.

The reference to Dominic Thiem as a two-time French Open champion in a Sports page story titled "Federer shakes off a slow start to advance" (July 3, 2019) is incorrect. Thiem is a two-time finalist in the French Open.

The Readers' Editor's office can be contacted by Telephone: +91-44-28418297/28576300; E-mail: readerseditor@thehindu.co.in