



## Capital high

To retain the confidence of foreign investors, macroeconomic management is key

Foreign investors appear to have rediscovered India. The inflow of foreign capital into India's stock market in the month of March hit a high of \$4.89 billion, the biggest foreign inflow into Indian stocks since February 2012. As a result, the stock market rose a solid 8% in March. Foreign investment in Indian equities stood at \$2.42 billion in February, as against a net outflow of \$4.4 billion during the same month a year earlier, and is expected to be strong in April as well. Both cyclical and structural factors are behind this sudden uptick in foreign investment that has helped the rupee make an impressive comeback. The rupee has appreciated by about 7% since early October, when it was reeling at around 74 against the dollar. Last year, India received more foreign direct investment than China for the first time in two decades. While the Chinese economy has been slowing down considerably in the last one year, India has emerged as the fastest-growing major economy. Doubts over the robustness of the GDP calculation method notwithstanding, it is clear that investors expect India to be a major source of global growth in the coming years. Other short-term reasons may also be behind some of the recent inflow of capital into the country. For one, there is a sense among a section of investors that their fears of political instability are misplaced. More important, there are clear signs that western central banks have turned dovish. Both the Federal Reserve and the European Central Bank, for instance, have promised to keep interest rates low for longer. This has caused investors to turn towards relatively high-yielding emerging market debt. Indian mid-cap stocks, which suffered a deep rout last year, are now too attractive to ignore for many foreign investors.

The return of foreign capital is obviously a good sign for the Indian economy. But policymakers need to be careful not to take foreign investors for granted. Other emerging Asian economies will be competing hard to attract foreign capital, which is extremely nimble. Any mistake by policymakers will affect India's image as an investment destination. To retain investor confidence, whichever government comes to power after the general election this summer will need to increase the pace of structural reforms and also ensure proper macroeconomic management with the help of the Reserve Bank of India. Long-pending reforms to the labour and land markets are the most pressing structural changes that will affect India's long-term growth trajectory. The high fiscal deficit of both the Centre and the State governments and the disruptive outflow of foreign capital are the other macroeconomic challenges. These are some issues that need to be solved sooner rather than later.

## The heat is on

Local administrations must draw up plans to address heat stress and possible water scarcity

A forecast of a below average monsoon in 2019, after last year's erratic rainfall that flooded Kerala and crippled agriculture in eastern and western States, is a cause for worry. If the assessment from one agency, Skymet, is any indication, there is a prospect of an El Niño, often associated with drought conditions, taking hold. This must, of course, be considered along with other factors that seem to weaken the El Niño link, such as a dipole weather phenomenon in the Indian Ocean. Should the monsoon, which normally sets in between June 1 and July 15 across the country, turn out to be deficient, it will add to the pressures on rural employment and the economy as a whole. Things may become clearer when the India Meteorological Department also issues its forecast, although error margins and the erratic nature of rainfall in different regions render the exercise fraught with uncertainty. Last year, for instance, the realisation of rainfall was 91% of the long-term average, while the prediction was for 97%. More immediately, India will go to the polls in the peak of summer after an intensive campaign. It is the responsibility of State administrations to prepare for the likelihood of a heat spike, particularly during April and May, to prevent loss of life and extreme distress to communities. Official agencies and NGOs should start adopting the drill on this, using the template drawn up by the National Disaster Management Authority.

The key elements of protection in a heat wave are avoiding exposure during the hottest part of the day around noon, especially in the case of senior citizens, staying adequately hydrated, wearing suitable clothing including headgear, and creating shade in public places. These messages and weather alerts can be disseminated through television, mobile phone messaging and social media platforms. Urban local bodies in particular have a responsibility to care for the large number of vulnerable city dwellers. Yet, few cities have drawn up proper heat action plans to respond to extreme weather or made them public. During the current year, there is apprehension that the focus of administrators will mainly be on the conduct of the elections, relegating the public health risk of heat waves to the backburner. With the availability of advance weather alerts, there is no reason why local bodies cannot institute remedial measures. Mitigating the effect of heat waves is vital to ensuring a high turnout in the elections by making it safe for voters. India is looking at another uncertain monsoon, bringing into sharp relief the neglected potential of decentralised water-harvesting. It is more than a decade since the National Commission on Farmers suggested the wider adoption of both rainwater harvesting and aquifer recharge, in order to provide irrigation for small farmers. It is time to take measures that will help communities achieve resilience.

# The governance dashboard

The current regime has failed to deliver on its promises of development and clean government



VAMSI VAKULABHARANAM & SRIPAD MOTIRAM

Towards the end of the second term of the United Progressive Alliance government (UPA-II), from 2009 to 2014, the corporate sector (captains of industry) had become thoroughly disappointed with the slow rate of "progress" being made. The reputation of UPA-II had been tarnished by several high-profile corruption scandals. Significant sections of the Indian elite, both urban and rural, were also upset about the government's modest welfare schemes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) and also rights and entitlements such as the Right to Information, Right to Education and the Land Acquisition Act, 2013.

The elites and upper middle-income groups were ready to strike back and found in Narendra Modi an able politician who could spearhead their agenda. He was the vikas purush who would restore high profitability for the corporate sector and provide a clean government. There was also a populist appeal of "development for all".

However, the true meaning and significance of Mr. Modi's ascent to power was not lost on those who had deep knowledge of India. Writing shortly after the 2014 general election, eminent economist and historian Amiya Kumar Bagchi remarked: "The corporate sector has now secured undisputed control of the commanding heights of the Indian economy and has succeeded in installing a prime minister, of whom they had been vocal supporters." We are now at the cusp of another national election,

so it is pertinent to ask what Mr. Modi has been able to achieve in the last five years.

It has become common now in some circles to describe the world that we live in as "post-truth". Populism and the rise to prominence of leaders such as Donald Trump (U.S.), Jair Bolsonaro (Brazil), and Viktor Orbán (Hungary) have exposed us to a radically new vocabulary consisting of terms like "alternative facts" and "fake news". It seems like evidence is far less relevant in influencing opinion than factors like sentiments, emotions or beliefs.

### Backdrop of scarce data

While we understand the limits of claims made on behalf of "objectivity", it is very difficult to imagine how a reasoned debate can occur without adequate evidence. Since Independence, India has carefully built an enviable reputation in terms of the integrity of its statistical organisations and the quality of its economic data. It is perhaps the most remarkable "achievement" of the present government that it has virtually destroyed this reputation by meddling in the work of statistical organisations, changing the methodology of computation of key figures (such as GDP), and by suppressing important data.

Given this, it is a major challenge to evaluate the performance of the present government. Of the various attempts that have been made to put together scarce evidence, a notable one is the very well-researched edited volume, *A Quantum Leap in the Wrong Direction?* It was Nobel laureate Amartya Sen who used the term "quantum leap" to critically describe the current regime, and the volume does justice to this loaded metaphor. It examines important dimensions of the present National Democratic Alliance government (NDA-II) and the past two regimes, UPA-I and -II, grouping them



broadly under the subjects 'Economy', 'Socioeconomic Indicators' and 'Governance'.

### Key parameters

Two issues that are important in evaluating any regime are economic growth and distribution. India, of course, has been celebrated along with China as the growth engine of the world in recent decades. Has the economy under NDA-II outperformed in comparison to previous governments? Recent changes in methodology by the Central Statistics Office have rendered such comparisons very difficult. From the data in this volume, it is clear that NDA-II has underperformed in comparison with UPA-I and is broadly comparable to UPA-II. Average annual growth rates of GDP under NDA-II are estimated at 7.4% (the corresponding figures for UPA-I and UPA-II are 8.4% and 7.2%, respectively).

In terms of distribution, our own research (for the period 1991-2011) indicates that the Indian economy, after economic liberalisation, was largely driven by inequality-heightening rapid urban growth. Farmers and informal workers in the urban areas have faced acute distress and witnessed losses in their income shares. What has happened to inequality under the Narendra Modi government? This question cannot be easily answered because the latest survey data have not been released. Given this, the volume

draws upon other sources of data such as income taxes and the Credit Suisse Global Wealth Database to make a persuasive case that Indian inequality has continued to rise.

The share of the top 10% of income-tax payers has increased at the expense of the bottom half. The wealthiest group (top 1%) owns more than half the nation's wealth today and has consolidated itself during 2014-2018. What happened to the economic status of the most marginalised social groups, i.e. Muslims, Scheduled Castes and Scheduled Tribes? Unfortunately, relevant survey data have not been released. However, one gets a harrowing picture from the volume from other data. Crimes against Scheduled Castes have increased during the period 2014-16. What is noteworthy is that both overall crimes and crimes registered under the Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act have increased in the Bharatiya Janata Party-governed States such as Gujarat, and Haryana. The media is rife with accounts of cow-vigilantism; but to give a statistical picture, Muslims comprised 84% of those killed during 2010-17 across the country. Almost all such attacks (97%) occurred under the present government.

### Impact of signature policies

The two major signature policies that the government undertook – demonetisation (ostensibly to root out corruption) and the goods and services tax (GST) – have proved to be colossal disasters for the economy and the vast majority of Indians. Any doubts about the adverse impact of these policies is dispelled by the analysis in the volume. Comparing the periods before and after demonetisation, while the world economy witnessed improved growth (2.6% to 3.1%), the Indian economy suffered a growth decline from 7.8%

to 6.8%. We believe that these two policies were launched to serve the long-term interests of the corporate sector at the expense of the vast majority of Indians who reside in cash-dependent informal and agrarian economies. It is unsurprising to read in news reports that the Indian unemployment rate is at a 45-year high (2017-18).

While it is amply clear that the current regime has failed to deliver on its promises of development and clean government, its true objective has always been to usher in a different kind of an economy and polity than the one that the UPA espoused – one that is more corporate and rural elite-friendly. The welfare orientation of the UPA-I (although it did not go far enough in our view) was quite unpalatable to the Indian elites.

A correction and reversal were asked for, and duly executed. It was also widely expected that the Modi regime would use a majoritarian nationalist mobilisation strategy (especially if economic gains were not forthcoming for the masses). This is exactly what has been delivered during the Modi years – a combination of elite-oriented growth and a majoritarian nationalism/Hindutva. Perhaps, in this sense, Mr. Modi's government has succeeded exactly in what it set out to do.

Several people who voted for Mr. Modi inspired by his promise of development and a corruption-free India must now see the failure of his regime clearly on these fronts. As Rabinranath Tagore reflected, if the choice is between a nation that is fundamentally exclusionary, and a society that stands for basic human values and espouses tolerance among a multiplicity of cultures and identities, the path forward is clear.

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# When a new era dawns, what's in a name?

As Japan's Emperor Akihito prepares to abdicate, the country gears up for the Reiwa era



PALLAVI AIYAR

On April 30, Japanese Emperor Akihito will abdicate, literally ending an era. For in Japan the years are counted not just using the internationally standard, Gregorian calendar, but by *genjo*, or 'era name', that counts up from the coronation of a new emperor until his death, or as in the current circumstance, abdication.

### The Heisei era

Akihito's coronation in January 1989 had marked the beginning of what is known as the Heisei era, and the end of the 'Showa' period of his predecessor, Emperor Hirohito. This year, 2019, will be split between Heisei 31, the 31st year of Akihito's reign until the end of April, after which it will become Reiwa 1, the first year of the Emperor elect, Naruhito's rule.

But *genjo* are not just ways of counting years. They also encapsulate a national mood, the zeitgeist. A new era name stops the clock for the nation psychologically, allowing an opportunity for tak-

ing stock and recalibrating.

The Meiji era (literally: enlightened rule), January 1868-July 1912, is best remembered as a period of Western-inspired modernisation, while the Showa *genjo* (literally: enlightened harmony), December 1926-January 1989, is associated with both Japan's rapid post-war economic development, but also the militarism of the Second World War.

It is Heisei, however, that is on the nation's mind currently. In the dying days of the era, there is an ongoing attempt to grapple with how best to define the essence of the last three decades. Heisei is composed of two *kanji* (Chinese characters used in the Japanese language) that taken together mean 'achieving peace'.

On the surface, the *genjo* would appear apposite. Through the Heisei decades Japan has eschewed war and continued to be among the world's more pacifist nations. Emperor Akihito himself worked hard to confront Japan's past military expansionism, including several expressions of remorse and apology for his country's wartime actions.

And yet, Heisei has also been characterised by unfulfilled potential and a spate of natural disasters. In 1989, when the era began, Japan was at the pinnacle of its economic might. That same year,



Sony acquired Hollywood's Columbia Pictures and Mitsubishi Estate bought New York's iconic Rockefeller Center. Japan appeared poised for global domination.

Instead, the 'bubble economy' collapsed, leading to 'lost decades' of economic stagnation and deflation. And while the meteoric rise of China dwarfed Japan's regional and international heft, earthquakes and tsunamis ravaged the archipelago. For many, Heisei conjures up the horrors of the 1995 Hanshin earthquake that destroyed Kobe city, and the 2011 East Japan earthquake and tsunami that killed over 20,000 people and triggered one of the world's worst nuclear disasters.

Consequently, the commencement of the new era, recently announced after months of deliberation as Reiwa, is widely seen as a chance to put some of these traumas behind and to define new hopes for a new epoch.

Reiwa can be interpreted to mean 'auspicious' (*rei*) 'harmony'

(*wa*). But, given that *kanji* can often be understood in multiple ways, it is also possible to read *rei* as 'orderly' and *wa* as 'Japanese'. The latter reading has some Japanese uncomfortable with its authoritative nuance, particularly within the context of the current, right-wing government's emphasis on nationalism as a cornerstone of policy.

Japanese Prime Minister Shinzo Abe was open in disclosing the fact that the choice of era name was made to reflect pride in Japan's ostensible uniqueness. For the first time in history the two *kanji* comprising the *genjo* were taken from Japanese classical literature, rather than Chinese classics, the traditional source for era names.

The new *genjo* is derived from an ancient collection of Japanese poetry called *Man'yoshu* (Collection of Ten Thousand Leaves) that feature poems composed between 600 CE and 759 CE. Commentators have been quick to draw a link between this decision to distance the *genjo* from Chinese literature and Japan's contemporary rivalry with China.

Name notwithstanding, Emperor-elect Naruhito's Reiwa era will face a formidable set of challenges. The country's rapidly ageing society and declining population mean that economic growth will require either a huge increase in

the number of immigrants or a major technological breakthrough. Japan will also need to innovate to ensure it is not left out of the high-tech race for leadership at a time when artificial intelligence and robotics are reshaping the manufacturing ecosystem. Moreover, China's dominance in both the economic and strategic realms, coupled with the growing unpredictability of the U.S.'s commitment to Japan's defence will test Tokyo's strategic thinking, forcing it to seek out new allies and accommodations.

### Logistical challenges

But first, the dawn of Reiwa will necessitate a series of more immediate, logistical changes. Government documents, stamps, newspapers, driving licences, and calendars will all need to switch to the new *genjo* from the Heisei system that's been in use for the last three decades. Computer systems across the archipelago are hurriedly being updated for the May 1 handover in what some fear might prove to be Japan's Y2K moment.

In his play *Romeo and Juliet*, Shakespeare famously asked, "What's in a Name?" In Japan at least, the answer would appear to be: A Lot.

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## 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.

### Voter holds the key

In a sort of farewell blog, BJP veteran L.K. Advani has said, "those who disagree with us are not our enemies". For the BJP, strident denigration of opponents and self-praise populism are two sides of the same coin that it put in circulation ever since it began facing flak for its failures on the socio-economic front. The party, led by the Prime Minister, mounts severe and personal attacks on rival leaders even as the Opposition (for example, the Congress's leader) says it has quarrels with policies and not persons. The BJP built up a narrative on a "corrupt Opposition" that has since been undone by Rafale as the game of perception can be played by others too. It is strange that the BJP, having come to

power solely on the development plank, should now rely largely on rabble-rousing, and the Congress on an inclusive manifesto. In 2019, the Indian voter must yet rely on his instincts to seek his destiny.

R. NARAYANAN,  
Navi Mumbai

### Claims and the truth

A U.S.-based magazine has cited American personnel as having counted the number of F-16 fighter aircraft with the Pakistan Air Force and found none to be missing ("Imran accuses BJP of whipping up war hysteria", April 7). This report has confused many of us who were led to believe that India shot down an F-16. India, meanwhile, has stuck to its stand saying it has conclusive evidence that the aircraft was shot down.

We need to know the truth. Is it so difficult to verify?

K.V. SEETHARAMAIAH,  
Hassan, Karnataka

### A page in history

Many historical events lose their sheen over a period of time except when marked by occasional references by academicians of history ('Magazine' section, "The many meanings of Jallianwala Bagh", April 7). But Jallianwala Bagh will go down in the annals of history as one of the darkest chapters in Indian colonial history. It sowed the seeds for the ultimate expulsion of the British. But India paid a heavy price. Unfortunately, Britain never showed any signs of remorse, with successive Prime Ministers not even inclined to offer an apology, the least one could have expected from the British.

Hundred years is no doubt a very long period to harp on an issue any further when political equations have changed diametrically in the international arena. It is better to leave bygones as bygones and instead dedicate the occasion to living life in a more harmonious, civilised and tolerant way cutting across borders. That is the best tribute one can offer to the hundreds who lost their lives.

V. SUBRAMANIAN  
Chennai

That the British government has been dilly-dallying to apologise for its many errors speaks volumes about the impact of colonialism. I am reminded of several instances of such internal colonialism in India, an example being the Telangana movement in the

1960s. The message is simple and clear: one should learn from the past.

A. VISHWESHWARA SHARMA,  
Sangareddy, Telangana

### Odd question

Not all public service commission examinations have serious questions. A few of them are quite funny. For example, an objective-type question paper set for

### CORRECTIONS & CLARIFICATIONS:

In his response to a question on rating the performance of the BJP-led government at the Centre (Interview, "Is the Army a tool for fighting an election, asks Navjot Singh Sidhu" (April 7, 2019) the Congress party's campaigner was reported to have said that the "unemployment in the country is at the lowest level in 45 years, as per the NSSO figures." It should have been the highest level.

In the story titled "At the international border, a 'Modi wave' flies above BJP flags" (April 7, 2019), the names of the BJP and Congress candidates had been wrongly given as Raman Bhalla and Jugal Kishore Sharma respectively. Actually, Raman Bhalla is the Congress candidate and Jugal Kishore Sharma is the BJP candidate.

In the Ground Zero page story "Encroachers on their own lands" (April 6, 2019), the name of the Gond Adivasi had been misspelled as "Kureti" instead of "Kumeti".

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