



Pursuit of growth

Recapitalisation of public sector banks should set the sector well on the path to recovery

The Centre's decision to infuse ₹2.11 lakh crore of fresh capital into public sector banks over the next two years, through a blend of financial mechanisms, should help revive the growth momentum. Saddled with bad loans as well as stressed assets of close to ₹10 lakh crore, India's banking sector has been naturally wary in recent quarters of extending fresh loans, as reflected in bank credit growth slipping to a 60-year low of just 5% this April. Since its first year in office, the government has been seized of what Chief Economic Adviser Arvind Subramanian calls the twin balance-sheet problem. If over-leveraged companies are unable to invest or borrow afresh, and banks are unwilling or/and unable to finance fresh investments, a private investment-led recovery is unlikely. However, it was only late last year that a new bankruptcy law was introduced, and over the course of this year the Reserve Bank of India has asked banks to invoke insolvency proceedings in the case of 50-odd accounts if settlements remain elusive. Banks, under pressure from the RBI to acknowledge the stress on their books, face the prospect of taking heavy haircuts to write off some of these loans at whatever residual value remains in the businesses. When combined with their need to scale up their capital base to comply with Basel III norms, public sector banks have naturally been in damage control mode rather than chasing growth like their private sector peers.

The three-part package for lenders includes ₹18,000 crore from the Budget, ₹58,000 crore that banks can raise from the market (possibly by tapping the significant room available to dilute the government's equity that remains well over 51%) and the issue of recapitalisation bonds worth ₹1.35 lakh crore. Though there are still many unknowns about the nature of these bond issues (whether they will affect fiscal deficit calculations or be off-balance-sheet sovereign liabilities, for instance), the overall plan gives banks a better sense about their immediate future. The bonds will front-load capital infusion while staggering the fiscal impact, which Mr. Subramanian expects to be limited to the annual interest costs on these bonds of about ₹9,000 crore. The Centre is betting this will strengthen the banks' ability to extend credit at a faster clip. RBI Governor Urjit Patel has said this is the first time in a decade that there is a real chance of meeting the banking sector's challenges. But it is still a long haul. While more details on this package are awaited, including how banks will be picked for funding and the possible interplay with proposed mergers of banks, equally critical will be the reforms that Finance Minister Arun Jaitley has promised as a necessary adjunct. Banks are where they are, not just because of capital constraints but also because of their inefficiencies and past lending overdrives.

The life of Xi

The Communist Party Congress signals his growing power and China's assertiveness

When Xi Jinping was elected the leader of China and the Communist Party five years ago, many had predicted that he would become the most powerful leader since Deng Xiaoping, the architect of the country's economic rise. They may be wrong. With the 19th party congress, which concluded on Tuesday and has written his name and ideas into the party constitution, Mr. Xi now appears to be the strongest leader since Mao Zedong. This amassing of Mao-like powers could also allow Mr. Xi to stay in power beyond the usual two terms. Two of Mr. Xi's predecessors had stepped down after two terms to ensure an orderly transition in the party and the government, where there is no dearth of talented and ambitious leaders. The practice has been for the mid-term party congress to choose the likely successor of the incumbent and groom him over five years to eventually take over the reins. However, the party doesn't seem to have chosen anyone this time. All five new faces in the seven-member Politburo Standing Committee, the highest decision-making body in China, are in their 60s, which lends credence to speculation that Mr. Xi is not planning to step down when his second term ends in 2022. Even if he does step down from the government, given the stature he has already achieved within the party, he could retain a Deng-like sway over policy matters.

In Mr. Xi's world view, China has passed two eras – the revolutionary era launched by Mao and the economic reforms spearheaded by Deng. The “Xi Jinping thought on socialism with Chinese characteristics for a New Era” that has been written into the party charter marks “a new era”. This one is about making China economically stronger and geopolitically more influential. In his three-and-a-half-hour speech at the congress, Mr. Xi placed great emphasis on strengthening the military and resisting “the whole range of erroneous viewpoints”. The message is that the era of “peaceful rise” is over. The more combative foreign policy Mr. Xi's administration is pursuing will continue, perhaps more aggressively, while at home he will consolidate more power. But this doesn't mean it will be a cakewalk. If China takes a more aggressive, militaristic view of its neighbourhood, it could trigger an aggressive response from neighbours such as India and Japan. North Korea remains as much a foreign policy problem for Mr. Xi as for President Donald Trump. China's export-oriented economy is still not free from the global economic whirlwinds. Mr. Xi will have to factor in global market concerns while taking key economic decisions at home. Besides, though the transition in the Communist Party has been orderly at least in the last 30 years, it was not free from troubles. Mr. Xi would be mindful of how he projects his own power, lest it triggers a backlash. The challenge before him is to find a balance between his ambitions and the realities that China confronts today.

Trump and the new world disorder

Why India should be concerned about the pace of the American retreat from post-War institutions



VARGHESE K. GEORGE

U.S. Secretary of State Rex Tillerson's speech on relations with India on October 18 was ambitious in scope and sought to define it for the “next hundred years,” when both countries will be “standing firm in defence of a rules-based order.” The speech has been received with justifiable enthusiasm among well-wishers of India. There is absolutely no two opinion about the desirability of long-standing commitments between the two big democracies, notwithstanding the challenges of social frictions and illiberal tendencies that they both currently face.

On schedule

For some context to the speech by Mr. Tillerson, who is currently on a South Asian visit, it would be appropriate to recall the following. Five days earlier, on October 13, President Donald Trump destabilised an international agreement that the U.S., the four other UN Security Council members and Germany had reached with Iran; on October 12, Mr. Tillerson himself had conveyed to the head of UNESCO the U.S. decision to quit the organisation. In the first nine months of the Trump administration, other international commitments that the U.S. had unilaterally reneged on include the Paris climate agreement and the Trans-Pacific Partnership Agreement. The North American Free Trade Agreement is gasping for breath; and treaty allies South Korea, Japan and Germany have been threatened for trade surplus with America.

The rest of the world might think that the world order has been designed to America's advantage



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but Mr. Trump has been categorical that he is committed to dismantling it – because he is convinced that America does not benefit from it. To understand his, and his administration's, views on the issue, and to look for signs of what to expect now, we need to take a collective view of three events that happened over the last four weeks. Mr. Trump's first speech to the UN General Assembly; the annual meetings of the World Bank and the International Monetary Fund (IMF); and the Chinese Communist Party's 19th Congress in Beijing.

The UN, the World Bank and the IMF have been the instruments of American hegemony for decades. What is relevant to the current context is the last three decades. The collapse of the Soviet Union was validation for the U.S. of the power of market economy and liberal democracy. The globalising world required a gradual depreciation of the concept of national sovereignty, including the U.S.'s own, its liberals and conservatives agreed, though not from entirely overlapping perspectives. Promotion of market economy and democracy, defence of human rights and environment, etc were assumed to be part of the U.S.'s global hegemony. The U.N. and the World Bank-IMF became instruments of this American authority over the world. The World Bank and IMF through aggressive promotion of neoliberal economics, and the UN through its non proliferation, climate protec-

tion, and Responsibility to Protect doctrines expanded the rules of the new order that chipped away at national sovereignty. The U.S. and its camp followers bankrolled these institutions. Moreover, the U.S.'s own example of prosperity – “the shining city upon a hill,” according to Ronald Reagan – would lead the rest of the world to accept its model of democracy and market economy, it was assumed.

Guided by the ledger

Mr. Trump calculates the price of everything and perhaps understands the value of nothing. “The United States is one out of 193 countries in the United Nations, and yet we pay 22% of the entire budget and more. In fact, we pay far more than anybody realises,” he told the UNGA. It is national sovereignty – he mentioned the words 10 times – that will safeguard the world and not globalism, he declared, upending the U.S. gospel that guided the order. “For too long, the American people were told that mammoth multinational trade deals, unaccountable international tribunals, and powerful global bureaucracies were the best way to promote their success... Now we are calling for a great reawakening of nations.”

At the World Bank-IMF meetings, the rift between the Trumpian world view and these institutions played out in a two-pronged fashion. The IMF is no longer advocating neoliberalism as its core credo, and called for more

redistributive measures by governments, including higher taxes on the rich, to deal with the inequality created by market. These institutions have in recent years rolled back their trickle-down growth dogma. The Trump administration is meanwhile pushing for massive tax cuts, stuck on the trickle down approach, putting it at odds with the IMF-World Bank approach.

Second, like in the case of UN, the Trump administration feels that America is paying too much for these institutions. U.S. Treasury Secretary Steven Mnuchin called on the World Bank to reduce lending to middle-income countries, four days before Mr. Tillerson spoke about providing alternative financing to countries that may be coming under Chinese influence for infrastructure financing. As strategic expert Alyssa Ayres noted, Mr. Tillerson “provided no further specific proposals to sketch out in greater detail how the United States and India should work together to provide alternative financing.”

The World Bank was also upbeat about the Belt and Road Initiative (BRI), on which India and the U.S. are expected to join hands in resisting Chinese manoeuvres. Bank President Jim Yong Kim, an American appointee, said during the annual meetings, “Two things that the world needs very much right now are strong leadership and an embrace of multilateral approaches to solving difficult problems, and [BRI] is both of those things.”

It is in this context of Mr. Trump's rejection of multilateralism and adherence to a questionable economic philosophy that Chinese President Xi Jinping exhorted other countries to follow the Chinese model as opposed to Western liberalism, in his Make China Great Again speech last week at the party congress. Such a prospect is of concern for India.

Though Indian leaders repeatedly say that a strong U.S. and American leadership of the world

are in India's interest, the history of that dynamic is more layered and nuanced. While American leadership and ability to arm twist other countries, including China and Pakistan, have benefited India on occasions, the space for New Delhi's global ambitions come only from America's retreat. It was the U.S. that forced China to accede to Nuclear Suppliers Group waiver for nuclear commerce for India and forced Pakistan into resolving the Kargil conflict. But a relatively weakened U.S. is what took a more friendly view of India to begin with. “We are going to come down on those guys like a ton of bricks,” President Bill Clinton declared at an Oval Office meeting the day after India landed a blow to his non-proliferation agenda, with Pokhran 2 in May 1998. But he could not stay the course of seeking to punish India, primarily because of domestic American issues.

The change in Washington

The Trump administration's disregard for the “world order” would open opportunities for India's ambitions to be a “leading power,” but a gradual retreat of the existing order is what could benefit India. The transition from a U.S. President (Barack Obama) who reminded India about its own Constitution to a leader (Mr. Trump) who does not bother much about even the U.S.'s Constitution could be welcome from the perspective of the Narendra Modi government's nationalist agenda.

However, any abrupt creation of a power vacuum in the event of American abdication of its global role would invite conflict and chaos. Having already demonstrated his inability to lead either America or the world, Mr. Trump still has the means to force his way on account of having the world's most formidable military. More than the reassurance of order, what India should be watchful of should be the threats of conflict.

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Going back to the basics

It is unconscionable that so many children are still out of school



UMA MAHADEVAN-DASGUPTA

On page 115 of the World Development Report 2018, the World Bank's new report which focuses for the first time on education, are two powerful images. They are MRI (magnetic resonance imaging) images taken in Dhaka, Bangladesh, of the brains of two infants aged two-three months. The growth of one infant was stunted while the other was not. The images show the stark difference in brain development between the stunted child and the one who is not stunted. The fibre tracts in the brain of the child who is not stunted are denser, and the connections more elaborate, than those in the brain of the stunted child. This is an example of how intense deprivation can hinder the brain development of young children.

Impact of malnutrition

The report, titled “Learning to Realize Education's Promise”, focuses on education. It is the first of the Bank's annual reports in four

decades to do so. There are six main points to note about the report. First, it is good to see that it makes a moral case for education, with a rights-based approach, and sub-sections titled ‘Education as freedom’; ‘Education improves individual freedoms’; ‘Education benefits all of society’.

Second, one of the most important sections is not about education but about early childhood development. And rightly so, for the report discusses the far-reaching impact of poverty and chronic malnutrition on the physical and mental development of children.

Poverty undermines a child's learning. “Severe deprivations—whether in terms of nutrition, unhealthy environments, or lack of nurture by caregivers—have long-lasting effects because they impair infants' brain development.” The effects of stunting in the early years on physical, cognitive and socio-emotional development prevent children from learning well in later years. “So even in a good school, deprived children learn less.”

Childhood stunting

The report points out that in low-income countries, stunting rates among children under-five are almost three times higher in the poorest quintile than in the richest. The effects of childhood



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stunting remain into adulthood. If early childhood development programmes are to compensate for poor children's disadvantages, they need to be scaled up and resourced for nutritional inputs, along with a focus on antenatal and postnatal care, sanitation, and counselling of parents for effective early child stimulation. Reduction of child stunting should be one of the major moral imperatives before nations today.

Third, it is good to see that technology is not regarded as a panacea in itself but as something that has the potential to enhance learning – and that the teacher-learner relationship is at the centre of learning. “Technological interventions increase learning – but only if they enhance the teacher-learner relationship.”

Fourth, the report acknowledges firmly that on the issue of public vs private schools, the res-

ults are still mixed: “There is no consistent evidence that private schools deliver better learning outcomes than public schools, or the opposite...In some contexts, private schools may deliver comparable learning levels at lower cost than public systems, often by paying lower teacher salaries. Even so, lower teacher salaries may reduce the supply of qualified teachers over time.”

Fifth, while the focus on learning is welcome, a wider and more nuanced exploration of the reasons for the learning crisis would have been useful. While school enrolments have increased significantly, massive teacher shortages persist. Further, beyond reading and arithmetic, any meaningful assessment of learning should also consider aspects such as comprehension, problem solving, critical thinking, and innovation. Beyond merely increasing assessment (“Just weighing the pig doesn't make it fatter,” as the report itself remarks), it is equally important to fund the sector better; improve teacher training; support the continuing professional development of teachers; and help teachers to help the poorest children to learn.

The way forward

One would have liked to see greater focus on the continuing problems

of access and equity, which are still the biggest problems in education. If there is one aspect of education which needs to be quantified and measured in order to make our education systems function better for all children, it is equity. How fair and equitable are education systems? Where are the greatest gaps? Which kids suffer the most from inequitable systems? These questions should be asked as part of an ongoing process of assessment for equity.

As for access, over 260 million children across the world – equal to a third of the population of Europe – are not even enrolled in primary or secondary school. “In 2016, 61 million children of primary school age –10% of all children in low-and lower-middle-income countries– were not in school, along with 202 million children of secondary school age.”

And in a world fraught with conflict, schooling suffers. “Children in fragile and conflict-affected countries accounted for just over a third of these, a disproportionate share.”

It is unconscionable that in the twenty-first century, so many children are still out of school.

Uma Mahadevan-Dasgupta is in the IAS. The views expressed are personal

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.

Restarting dialogue

The steps the Centre is taking to try to bring peace to the troubled Kashmir Valley are to be welcomed (Editorial - “Talk is good”, October 25). There have to be attempts to create a cordial atmosphere among different factions, political or otherwise, in Jammu and Kashmir and between the Centre and the State. The ball must be kept rolling and there are bound to be positive results if efforts are made in right earnest. What is important is sincerity and good faith. The Centre will have to be prepared to take harsh steps too. One is sure that people in general are fed up with strife and want an end to this.

S.K. MAHNA,
Bengaluru

■ It is good that the Central government has realised the need for dialogue in Kashmir. But one wonders whether the mediator, a former IB chief, has the

confidence to hold a dialogue with all sections of Kashmiri society. There have been numerous missions, both official and unofficial, to J&K, but without visible success. Surely, we know by now the demands of various sections of public opinion in the State and that there is nothing more to “discover”. What is lacking are sincere and consistent steps to ease tensions and bring people into the mainstream. A few steps such as deploying the Army only where it is necessary and avoiding the use of pellets and force in general can be considered. Releasing prisoners not charged with serious crimes should be done on a case by case basis. Separatists need to be brought on board for lasting peace. Whether we like it or not, dialogue with Pakistan is necessary in order to stop militant activity and cross-border infiltration of militants. It is now time for positive

actions and not for another fact-finding mission.

D.B.N. MURTHY,
Bengaluru

Lighting up homes

Access to electricity is one of the most enabling factors of development. It increases the standard of living and acts as a means of empowerment. It is unfortunate that even after over 70 years of Independence, thousands of villages are still not electrified. What we need today is a “mission mode approach”, with time-bound targets. A committed leadership and dedicated bureaucracy is a must to bring about much-needed change. If required, private partnership should also be solicited (“Shedding light on Saubhagya”, October 25)..

BADAL JAIN,
Bhopal

■ There are several deficiencies in the grandiose plans of free

electricity announced by one government after another. The mass of jumbled wiring, an eyesore in most of our cities and towns, shows that maintaining supply and efficiency are also linked to transmission and distribution problems. Intelligent and simple solutions can include standalone solar units to reduce distribution challenges. Improvised solutions will go a long way in achieving the government's latest milestone, provided the intentions are genuine and the efforts have a purpose.

R. SWARNALATHA,
Chennai

■ The Saubhagya scheme is old wine in a new bottle. Unfortunately, successive governments roll out the same schemes but under new names. Repeated policy lapses and a failure in achieving results are because of a lack of proper

and holistic planning. Merely allocating funds and announcing schemes will only fetch minimal results. The poor also need to be provided energy efficient equipment such as LED lights and energy efficient fans at subsidised rates. This will not only decrease electricity consumption but also provide them with better efficiency. Looking at renewable energy sources is also a viable and long-term solution. There have to be audits every quarter as well. “Intention” rather than getting votes must be the approach taken.

NISHA YADAV,
Dahina, Rewari, Haryana

Playing the anthem

One cannot understand why the judiciary keeps changing its stance on the subject of playing the national anthem (“Why make a show of patriotism: SC judge”, October 24). Without an iota of doubt, it is the duty of the Central

government to widen the scope and possibility of the national anthem being sung by all Indians in situations wherever it is feasible and practical. It is as simple as that. However, it makes sense singing the anthem in educational institutions, and in circumstances like when a comrade has fallen or when a soldier has laid down his life and his valiance echoes with the volley of the gun salute. It is truly fitting singing the anthem during our Independence Day and Republic Day celebrations. Cinema halls and clubs are definitely not the places to render our national anthem as they are settings that do not foster or instil patriotism. One cannot force citizens to feel a surge of love for the country when the occasion does not lend itself to that mindset.

R. SIVAKUMAR,
Chennai

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