



Inflation conundrum

A weak performance and low inflation may persuade the RBI to go for an interest rate cut

The multi-month low retail and wholesale inflation prints for December pose an interesting challenge for policymakers and the central bank. Inflation in Consumer Price Index (CPI), at 2.19% in December, is at an 18-month low, while the WPI, at 3.8%, is at an eight-month low. The Reserve Bank appears to have been blindsided by the CPI number, which is way below projections made during its last few monetary policy pronouncements. The RBI has maintained a CPI projection of 4.4-4.8% for the second half of fiscal 2019. Even in the October policy announcement, the bank projected 3.8-4.5% retail inflation in the second half with upside risk, and even changed its policy stance to “calibrated tightening” from “neutral”. The MPC and the RBI may well want to reassess the robustness of their inflation projection mechanism in light of the data coming in. When the new Governor, Shaktikanta Das, sits down with the monetary policy committee (MPC) in early February he may well have to return to a “neutral” stance given the soft trends in headline CPI. There may even be pressure on him to look at a rate cut, especially given the weak economic data coming in – factory output growth was a low 0.5% in November with manufacturing showing a contraction. The automobile industry, the first to feel the effect of an economic slowdown, has seen sales falling over the last two months.

The inflation data have also thrown a curveball at policymakers in that their different components show divergent trends. So, while headline CPI inflation is trending lower, core inflation is still sticky at close to 6%. Again, there is a divergence between core rural and urban inflation – the former is trending higher at 6.34% while the latter is heading downward at 5.26% in December. Curiously, rural health and education index numbers are high. The point with all this divergence in data is that monetary policymaking is a challenge. Governor Das alluded to this in a recent speech where he pointed to the divergences and volatility in different sub-groups as a major challenge in inflation assessment and projection. But the broader question is whether the interest rate structure is lagging behind the big structural change in inflation in the last few years. According to Mr. Das, headline CPI inflation has moderated from around 10% in 2012-13 to 3.6% in 2017-18 and 3.7% in April-December this fiscal. Yet the nominal interest rate structure has not changed significantly, leading to rather high real interest rates. Prominent policymakers, including principal economic adviser Sanjeev Sanyal, have called for the RBI to take a re-look at the interest rate structure. It will be interesting to watch how the RBI under the new Governor reacts to these calls.

A wide Democratic field

Party leaders seek to capitalise on soaring anti-Trump sentiment to enter the primaries

As expected, the array of presidential hopefuls for the 2020 U.S. election has widened considerably on the Democratic Party side, with at least eight candidates declared running, another six likely to run, and a further eight potential entrants sitting on the fence. Some analysts put the total size of the potential Democratic aspirational pool at 34. The latest addition to the list was Kamala Harris, a first-term Senator from California and daughter of Indian and Jamaican immigrants. Ms. Harris enters this crowded arena with the heft of her star power, having accumulated considerable political capital through her tough questioning of President Donald Trump’s cabinet nominees – including then Attorney General Jeff Sessions, who admitted that being grilled by Ms. Harris made him “nervous” – and other notables. Nevertheless, she was beaten to it by the New Year’s Day announcement of Massachusetts Senator Elizabeth Warren, a top-tier Democrat who also took on Mr. Trump over policy issues but attracted criticism for an unnecessary controversy over a DNA test to establish her Native American ancestry. While it is likely that the two Senators will remain on the ballot when the first state, Iowa, heads to the primaries in early February 2020, most entrants between now and then are expected to drop out as their popularity and donor-support figures come into sharper focus.

That is the real question at the heart of America’s complex Democratic primary: why are so many candidates throwing their hats in the ring at this juncture, and what does it tell us about the challenge that the ultimate nominee will pose to Mr. Trump’s re-election prospects? First, whoever wins the nomination will inherit the burden – and benefits – of the considerable anti-Trump sentiment that is swirling across diverse pockets of the country. An early indication of this likely outcome lies in the fact that most prospective candidates have announced policy positions that are situated in the centre-left of the American political spectrum, positioning themselves against Trump on immigration, health care, criminal justice and more. An example of such a policy position is Medicare-for-All, which not only Ms. Harris and Ms. Warren, but some newcomers too, such as Julián Castro, the former mayor of San Antonio, Texas, consider a part of their core agenda. Second, the Democratic universe is enthusiastic about this race as Mr. Trump not only lost the popular vote in 2016, by 46% to 48%, nearly three million votes, but also, currently, has the worst net approval rating of any post-World War II U.S. President. However, a big challenge that looms for Democratic candidates is to gauge the way independent voters, who often keep their voting preferences secret from pollsters, lean. These voters were the undoing of Hillary Clinton in the Rust Belt states, and they could again tip the scales back toward the nativist populism of their Commander-in-Chief.

India stares at water scarcity

Tackling drought must be the immediate priority for administrators across the country



GOPALKRISHNA GANDHI

The coming elections to the Lok Sabha, crucial to the future of our democracy, our pluralism, our federalism, are only a few weeks away.

But something else, something urgent, something is already upon us. And something that is going to coincide with the elections. A drought.

The rains have failed us. Nothing new, one might say. True, except that the rains’ let down this time comes on top of an already low-rain and, in many places, no-rain ground situation. And the next nearest rains are six months away. The cruelly blue, cloudless skies over much of India, north, central, eastern and peninsular India, say it all. And there is no guarantee that June will see the onset of a normal monsoon.

What the sky says

Does anyone care? Does the political class? The Prime Minister and Chief Ministers are not unaware of the situation. They cannot be. The India Meteorological Department (IMD) has given them enough data. But when droughts and elections intersect, it is extremely uncomfortable to leaders. It is inconvenient to dwell on the skies’ tidings. Which government would like to tell farmers that suffering lies at their threshold? Who would like to tell them that water will be scarcer than before, that aquifers will plummet, crops wither, livestock go thirsty? Which government would, just weeks before the elections, tell us that with reservoirs

drying up taps will sputter to a stop and that we may well be looking at water-rationing? The truth is, none of them will say that. This is where, as Amartya Sen has told us time and again, the media comes in, and comes in redemptively. It is India’s great good luck that public awareness, nudged and prodded by public discussions on meteorological data and media reportage, has kept droughts from deepening into famines in our country.

The IMD report on scant rains has received scant attention so far, with exceptions being provided by P. Sainath’s relentless warnings and observations of experts of the calibre and veracity of Ramchandra Sable, agro-meteorologist, and D.M. More, Secretary of the Second Maharashtra Irrigation Commission, reported in *The Hindustan Times* (January 6, 2019).

Rain deficit facts

To turn to the facts. The actual deficit last monsoon was modest – barely 10%. But the post-monsoon rainfall (October to December, 2018) or PMR as it is called by meteorologists has registered a 44% deficit. This national average deficit conceals shortages in some regions where it is much higher. In Marathwada, according to the IMD, the deficit is 84%, in Vidarbha, 88%.

Why should we worry, more than before, this time? For the reason that this low-rain and no-rain situation is going to aggravate the water crisis that we have brought upon ourselves without the ‘help’ of a dry sky. Years of policy-driven, corporate-driven water transfers from rural to urban, agriculture to industry, poor to rich and so on have made our country-side chronically water-scarce. Urban India does not realise this fast



C. RATHESH KUMAR

enough or well enough. It will, when there are power-outages and air-conditioners do not work! “By April-May,” Mr. Sainath said to me, “this drought could be tormenting millions in several States.” And that is when election-campaigning will be at its peak.

The pre-election mood ‘yesterday’ was all about agrarian distress, farm-loan waivers. Will the pre-election mood ‘tomorrow’ be even thinking of, drought and what can be done to address it beyond loan-waivers?

Though our major leaders deny it, Kaun Banega Pradhan Mantri – KBPM – is what occupies the high seat in their thinking today. They seem to be in aphasia if not amnesia about the massive waterlessness that has hit us already. If they see the parched ponds, the sharded earth, the leaf-shedding trees, panting crops, drooping livestock, they do not talk about it.

That is how politics is. And yet that is not how politics should be and that is not how the rural Indian voter is going to allow politics to be. Not any more. And good for that voter that it be so. Anti-incumbency may take five years in electoral politics to mature into an ouster. It does not take more than one

Buried in the sands

The new CRZ notification of 2018 now reads as a rejection of science and the anticipated impacts from climate change



SUJATHA BYRAVAN & AARTHI SRIDHAR

In late December, the government approved the Draft Coastal Regulation Zone (CRZ) Notification, 2018, which had been earlier circulated by the Ministry of Environment, Forests and Climate Change (MoEFCC). The CRZ consists of designated areas along the coast that are regulated by the government. The government introduced the new CRZ 2018 notification as a promise of a ‘better life’ for coastal communities that would add value to the country’s economy. Various recommendations to the draft from research think tanks and coastal community groups during the year were largely ignored and consultation appears to have been limited to select government bodies and departments.

History and changes

CRZ regulations were first introduced in 1991 and subsequently revised in 2011. A coastal hazard line was established taking into account natural disasters including the 2004 Indian Ocean tsunami. While the 2011 notification recognised that there were areas of high erosion and vulnerability along

the coast, few attempts were made to develop this hazard line scientifically or transparently across the country to regulate development. One amendment, in July 2018, removed the hazard line from the main regulation without consulting the public. In the new 2018 notification, as well, all reference to a hazard line has been removed and is replaced with a fixed setback line.

Some areas along the coast, for example, experience very high storm surges, but will not get the protection they deserve. Formerly (in the 2011 version), the CRZ extended up to a minimum of 500 m and up to the area of the ‘hazard line’ if it was found to be beyond 500 m. By removing the hazard line altogether, the new notification maintains a uniform CRZ of 500 m from the high tide line. Except for the most ecologically sensitive areas (CRZ-I) and water areas (CRZ-IV), for which any development clearance requires MoEFCC approval, State governments will be responsible for regulating urban and rural coastal areas (CRZ-II and III).

The CRZ for land adjoining creeks and backwaters is reduced from 100 to 50 m. CRZ 2018 relaxes important restrictions and permits construction in urban CRZ zones and densely populated rural coastal areas. Rural areas have been bifurcated, with greater allowances, ironically, for more populated areas. The greatest number of relaxations has been accorded



K.R. DEEPAK

to hotels, resorts and the tourism sector.

Boost to business

Big hotels, restaurants, houses, coastal highways and small and large port facilities can now be built closer to the shoreline. Increased coastal tourism translates into further destruction of lagoons, marshland and other coastal ecosystems and their services. In fact, a limited study of the Tamil Nadu coastal districts from 2009 found that lakhs of crores of public investment, ecosystems and land are at risk from a one metre rise in average sea levels.

The cyclones Ockhi and Vardah are fresh in people’s memories and so is the experience of loss of life and property. These frequent weather-related coastal vulnerabilities are, however, omitted in the CRZ 2018, which moved the concept of vulnerability and the hazard line from being at the heart of the regulatory mechanism to an optional appendage in the law applicable for a vaguely worded sec-

tion on ‘disaster management’. The document trims the list of restricted activities in the ecologically sensitive CRZ-I areas and erases baselines. These include original baselines of what constituted this coastal zone (where it begins and ends, based on high water marks), what makes for a violation and further, what action should be taken for violations thus far and in future. Meanwhile, shorelines are already eroding due to sand mining controlled by mafias and building of seawalls along the coast.

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Time and money are short

There is a prequel to this.

For the NDA, time is short, money is not. For the Opposition, time is short, money shorter. What is short for both, equally, is credibility. It is critically short. The voter, especially the rural voter, has no illusions. A government either helps it overcome its life-and-death problems or does not. The ‘Delhi Government’ will be tested in 2019 for its credibility on many issues, among which certainly l’affaire Rafale is now top-of-the-list, followed by the Reserve Bank of India and the Central Bureau of Investigation mess-ups. But the elections in 2019 will test its credibility by what it does and says it will do for water-starved, food-short, livelihood-broken, rural India’s agrarian distress. And in States where

the NDA is not in power – and now the States in which it is not exceeds the number of States in which it is – the rural voter will vote against whoever is in office unless the ‘government party’ makes drought relief, water-use, food security and massive earth-related programmes its absolute priority. In other words, unless it makes agrarian distress, now aggravated by the drought, its priority.

The failure of rains this time is so serious that ‘drought’ now means not just a farm crisis but a national crisis that will affect towns and cities no less than villages. ‘Agrarian crisis’ appears to urban India as something ‘out there’. No longer true. It is only a matter of time when the ‘taken-for-granted’ piped water supply will falter and when water cans will cost even more than they do, today.

Whoever becomes Prime Minister will do well to appoint a commission like the Farmers’ Commission, which Dr. M.S. Swaminathan headed, to advise him or her on how water scarce India, all of India, needs to face drought. And give that Commission just one month to complete its study, make its recommendations not just to government but to all Indians, to us, who have become so used to water-access imbalance, water-use lopsidedness, water prodigality in the midst of water poverty that we just do not care. And this time, not advisories or appeals but penalties will be needed.

Addressing the deepening drought, agrarian distress and water-management are critical not just for our governments to survive but for us to survive our governments.

Gopal Krishna Gandhi is a former administrator, diplomat and governor

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At our peril

At the recent international climate meeting at Katowice (COP24), when the U.S., Saudi Arabia and Russia refused to “accept” the special 1.5 degrees report from the Intergovernmental Panel on Climate Change (IPCC), India and other developing countries rightly protested that these countries were placing the world at risk. That report called for the world to prepare for severe impacts from climate change if average global temperature was to rise above 1.5° Celsius. The effects from rising seas are already visible and will worsen as temperature rises. Countries need to prepare for an increase in the frequency and intensity of very severe storms and accompanying effects on their coasts. An earlier 2018 study published in Nature Climate Change deduced that, among all countries of the world, India would experience the worst social and economic impacts from

climate change.

The CRZ notification from the Cabinet, however, now reads as a rejection of the IPCC’s science and anticipated impacts from climate change, including the 1.5° Celsius report. It is not clear whose interests are being heard in this CRZ notification. This environmental legislation has seen repeated fiddling with its provisions (the 1991 version saw about 25 amendments) and regular overhauls (the 2018 version makes for three fresh re-introductions of this law). Little of this activity from the MoEFCC has been towards improving or implementing the law, but rather to reduce regulatory oversight.

The regulation now moves into another era, while existing deadlines to identify violations and phase out sewage and waste disposal and make wholesome management plans lapse. The legal mechanisms and innovations that entered the CRZ lexicon in the wake of the 2004 tsunami and coastal vulnerabilities to climate change have been deleted from the CRZ 2018. In one fell swoop, about two decades of deliberation and action to secure the coasts for the nation’s citizens has been erased. With eyes wide open, the country is walking into disaster for its coast and the tens of millions who live on it.

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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.

The EVM test

The writer (OpEd page, “Why EVMs must go”, January 22) seems to be an anti-technology person. The three tests mentioned are all protected when an electronic voting machine, or EVM, is used. Computers are used to handle mind-boggling amounts of data, largely without accusations of fraud and manipulation. Conducting an election using the paper ballot in a country of 1.3 billion people requires money, time, effort, and paper. The logistics are also high and complex. EVMs have checks and balances to ensure a fair election.

PADMINI RAGHAVENDRA, Secunderabad

■ Citing an instance of a German court order in order to build his narrative, the writer evades the point that

the EVMs under question in that particular case were made by a Dutch Company (NEDAP) and were possibly hacked and the same was accepted by the OEM. Experts in India have declared EVMs here to be tamper proof. The hackathon organised by the Election Commission was given a complete miss by those wizards who are now out to defame EVMs. The randomisation of EVMs, mock polls involving polling agents, the sealing of machines and their storage procedures are all fool proof – but not for suspecting and biased minds.

U.S. AWINASHI, Hindon, Ghaziabad, Uttar Pradesh

■ Many of us are beneficiaries of modern scientific technology and new inventions. Therefore, it is strange and surprising that

a few are now crying foul over the use of EVMs in elections (Inside pages, “EC mulls legal action on anti-EVM campaign”, January 22). If the allegation that a certain party benefited from “unreliable EVMs” is true, then, logically, the party concerned must have manipulated all poll results to its advantage which is not the case. Let us not revert to Stone Age practices just because a few modern scientific devices are faulty. EVMs have come to stay, saving us from the Herculean task of manual counting.

PUSHPA DORAI, Nuranji, Kerala

■ Concerns about transparency and verifiability should have been assuaged with the introduction of the VVPAT. The record of EVMs in maintaining secrecy is

unmatchable. It is the EVMs that ushered in the era of free and fair elections, by eliminating electoral malpractices, speeding up the voting process, and thereby, increasing voter turnout. Though a number of political parties have cried foul over EVM use, they have still to prove that the device can be hacked. The core issue should be for all of us to engage in real election problems such as the use of muscle power and black money in the election process and encouraging communal politics, paid news and the criminal-politician nexus.

PARTH SARTHI MISHRA, Mainpuri, Uttar Pradesh

■ The fundamental principle of any democracy is people’s power to choose their government and the Election Commission must not ignore

even the slightest possibility to scuttle this process. Perhaps seeking the help of countries which abandoned the use of EVMs would be of use.

VIMAL VASUDEVAN, Alathur, Palakkad

Gory sport

One really fails to understand why the organisers of extreme events

CORRECTIONS & CLARIFICATIONS:

>>>A Business page story on SBI Life’s December quarter performance (Jan. 20, 2019) gave the premium income and investment income figures in trillions of rupees. They should have been in billions.

>>>The report, “Hyderabad’s Chowmahalla Palace, fit for the Nizams once again” (Jan. 19, 2019), erroneously stated that Mukarram Jah Nizam VII was crowned in 1967 after the demise of his grandfather Nizam VI Mir Osman Ali Khan. Actually, Nizam Osman Ali Khan was Nizam VII and his grandson Mukarram Jah was Nizam VIII.

>>>A Sports page report about Malaysia Masters badminton title (Jan. 21, 2018, some editions) was erroneously headlined “Son and Marin are Champions.” It should have read: “Son and Intanon are champions.”

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