



Transmission troubles

Customers of Indian banks continue to foot the bill for banking system inefficiencies

The RBI continues to remain unable to influence the effective lending rates in the economy. In February, in its latest statement of intent to resolve poor monetary transmission, the RBI said it would instruct banks to switch base rate customers to the marginal cost of funds-based lending rate (MCLR) system from April 1, 2018. In April 2016, it had introduced the MCLR regime, scrapping the base rate regime, in place since 2010. “Since MCLR is more sensitive to policy rate signals, it has been decided to harmonise the methodology of determining benchmark rates by linking the Base Rate to the MCLR,” it had said. This was supposed to push banks to lower lending rates. Currently, under the base rate system, the lending rate at State Bank of India is 8.7%. The one-year MCLR rate is just 8.25%. This difference of 45 basis points could make a significant difference in borrowing costs, especially for smaller firms and retail consumers relying on equated monthly instalments. In the RBI’s assessment, a large proportion of outstanding loans and advances continues to be linked to the base rate system. This perhaps triggered the February statement.

Yet, the RBI is yet to operationalise that intent. One can understand the banks’ reluctance to switch to the lower MCLR-based rates, given the multiple pressures they face, including record levels of non-performing assets and losses, and significant treasury losses. The RBI, which has often faced flak for poor monetary transmission, shouldn’t be swayed by these concerns. An RBI study estimates that public sector banks could take a ₹40,000-crore hit on revenue if they allow all base rate borrowers to switch to the MCLR rate. The RBI, which has just allowed banks to spread the booking of losses on the treasury front over four quarters – after talking tough about such rollovers – may not want to hurt them more. But this creates an unfair situation as new borrowers get MCLR rates while the older ones continue on the higher base rate system. While a base rate customer can shift to the MCLR regime only by paying a fee, this outcome is not too different from the previous attempt by the RBI eight years ago to influence transmission by shifting to base rates from what was called a Benchmark Prime Lending Rate regime. There was no sunset clause included then. For troubled banks, this is an asset-liability mismatch issue. Given the need to revive the economy through consumption and fresh investment, this impasse needs to be broken.

Trauma at the border

The U.S. policy of separating children from undocumented migrant parents is cruel

As part of its “zero-tolerance” approach to dealing with undocumented migrants, the Donald Trump administration in the U.S. has been separating parents and children within migrating families, leading to outrage over the burgeoning number of minors lodged in foster care. Reports suggest that between October 2017 and May 2018 at least 1,995 children were separated from their parents, with a significant majority of the instances between April 18 and May 31. In recent weeks, disturbing images and videos have emerged of screaming toddlers in the custody of Customs and Border Protection personnel, or in what appear to be chain-link cages in facilities holding older children, as well as one disturbing audio allegedly of wailing children at one such unit. Democrats and Republicans alike have expressed deep concern about the ethics of using children, facing trauma from separation from their parents, to discourage further undocumented border crossings. Mr. Trump, however, has refused to accept sole responsibility for the family separations. Instead, he took to Twitter to blame his Democratic opponents for not working with Republicans to pass new immigration legislation to mitigate the border crisis.

His response begs two questions. First, why, when both Houses of the U.S. Congress are under Republican control, is Mr. Trump unable to garner the numbers to pass legislation to end family separations? The answer is that poignantly tragic though the fate of these broken families may be, the issue as such has failed to garner even as much bipartisan momentum on Capitol Hill as Mr. Trump’s rescinding of the Obama-era immigration order on Deferred Actions for Childhood Arrivals. The second question is whether the policy of separating migrant families is new, or if there was indeed “bad legislation passed by the Democrats” that supports this action, as Mr. Trump claims. The answer is that both are true. Mr. Trump’s critics are correct in that there is no single U.S. law requiring families to be separated. Rather, what the White House referred to as “loopholes” in legislation are two legal provisions: a law against “improper entry by aliens” at the border, and a decree known as the Flores settlement. The first is a federal law that makes it impossible to summarily deport certain vulnerable categories of migrants, such as families, asylum-seekers and unaccompanied minors. To get around this the administrations of George W. Bush and Barack Obama adopted the policy of “catch and release” – whereby these migrants would be released from custody pending their deportation case adjudication. Family separation was unnecessary at that time, but under the Trump administration’s zero-tolerance approach, all undocumented migrants are charged in criminal courts. Here the Flores settlement applies, because it limits to 20 days the length of time migrant children may be held in immigration detention. While their parents face charges, the children are transferred to a different location, often with devastating consequences for their families. This is unspeakable cruelty.

The abrupt end of an unlikely alliance

The PDP and the BJP were always going to part ways. It’s clear Kashmir is headed for troubled times



HAPPYMON JACOB

The alliance between the Peoples Democratic Party (PDP) and the Bharatiya Janata Party (BJP) in Jammu and Kashmir (J&K) began as an act of necessity, persisted due to sunk-costs and political expediency, and has finally ended as a result of political opportunism. With its sudden decision to withdraw from the coalition government in J&K, the BJP may have ended the political agony for both parties, but it has certainly left the PDP embarrassed and isolated. To be clear, the collapse of the coalition will not only have serious implications for the security situation in the sensitive border State; it also indicates how the BJP intends to use the Kashmir question in the 2019 elections.

Politics of opportunism

From the time the PDP and the BJP started negotiations to form a coalition government in January 2015, till June 19 this year when the BJP pulled the plug on the coalition, the alliance has reeked of political expediency and opportunism. The two bitterly opposed parties had come together to form a government primarily for instrumental reasons rather than for normative purposes. Such political expediency became clearer when they decided to keep aside the visionary agenda, negotiated over two months in early 2015, and started focussing on the mundane. As for the PDP, the Agenda of Alliance was its stated raison

d’etre for staying in the coalition. But it decided to cling to power in the State even though its coalition partner summarily rejected most of the suggestions in the joint document. Almost no major item on the Agenda of Alliance has been taken up for implementation till date.

For the BJP, this was the most opportune moment to dump the PDP, given that it not only does not need the PDP anymore but it has indeed become a liability for its future political pursuits. Having formed the coalition, the BJP achieved what it had long wanted – to be part of the J&K government for the first time in the State’s history. Its leaders were accommodated in key positions in the State government with attendant benefits enjoyed by party functionaries. It might not have grown in Kashmir from an organisational point of view – which it always knew it would not be able to – but it certainly kept its local unit in Jammu content so far. More so, the BJP would now be better off without a ‘soft-separatist’ PDP in tow, especially given that the PDP’s prospects in the State in 2019 are hardly promising. The BJP, in that sense, has used and thrown the PDP. And by being the side that broke ties first, it has gained the first mover political mileage.

Moreover, the BJP’s support base in Jammu was upset about the manner in which the State police went after the accused in the Kathua rape-murder case and how the two BJP Ministers in the J&K government had to resign due to the controversy arising from the incident.

Having pulled out of the coalition government, the BJP now could potentially wean away PDP



legislators (if the Assembly is not dissolved) and rule the State through the Governor. Individuals of its choice would be appointed as key advisers to the Governor who would act as de facto Ministers in the State.

However, at a time when Opposition parties are uniting nationally to mount a challenge to the BJP in 2019, the latter’s act of dumping its ally in J&K is likely to strengthen the Opposition’s resolve to take the fight to the BJP.

The BJP’s ‘stated reasons’ for pulling out of the coalition are perplexing at several levels. Its leadership argued that “there is grave concern over the deteriorating security situation in the State”, and went on to say that the responsibility for the difficulty in the coalition lay with “the other side”. This is a problematic argument. While it is true that the security situation in Kashmir has deteriorated, the reality is that the armed forces operating in J&K go by the directives of New Delhi rather than of the State government even though the J&K Chief Minister is the chair of the Unified Command in the State. Second, the BJP was very much part of the government that has failed, and therefore pinning all the blame on the PDP is a cheap

Neither new nor undesirable

But making a fetish of lateral entry of domain experts into government service will have grave consequences



D. SHYAM BABU

Our ceaseless search for the Holy Grail to fix the challenges of governance always leads us nowhere because the thing doesn’t exist. But what we find in the process is a counterfeited, of... well, nothing; it looks like a solution but it is in fact a problem. Good intentions, unless tempered by thoughtful deliberation and preparation, do not lead to good policy outcomes.

The move by the Department of Personnel and Training (DoPT) towards lateral entry in government service falls in this category. It has invited applications from “talented and motivated Indian nationals willing to contribute towards nation building” to be appointed as joint secretaries in 10 Departments/ Ministries at the Centre. One cannot question the good intentions behind the decision to make lateral entry more institutionalised than the case till now. Nor should one read too much bad faith into this, until and unless that bad faith comes into the open.

Once we unwrap the new poli-

cy, however, what we find is a little incongruence that can one day grow into a monster. Since the problem that the new policy seeks to fix remains vague, we cannot hope for whatever improvements promised. It is also a distant cousin to the ‘committed bureaucracy’ bogey of the 1970s. Moreover, the lateral entry policy goes counter to spirit to the governance philosophy enunciated by the Constituent Assembly, insofar as it concerns the candidates from private sector, consultancy firms, international/multinational organisations (MNCs).

Traditionally, the services of outside experts were availed through consultative processes, a practice quite widespread with the erstwhile Planning Commission and to some extent with its new avatar, the NITI Aayog. It is not clear why the government determined that the practice was not effective.

Why and wherefore

The lateral entry decision is based on the assumption that since our civil servants, especially those of the Indian Administrative Service (IAS), are generalists and hence ill-suited to deal with policy implications of new technologies and new modes of thinking, the country is in dire need of domain experts. Nobody questioned the assump-

tion so far as the government invoked it sparingly and also it is prima facie valid.

The policy’s aim “also to augment manpower” can only mean that the lateral entry will be as wide as regular recruitment and used as regularly. In doing so the government is turning an exception into a rule but the whole enterprise also begs the question: what does all this mean?

Neither the DoPT nor Ministries concerned cared to define ‘domain expertise’. For example, most of the 10 posts open for lateral entry are pretty generalist. A joint secretary in agriculture? And a candidate is merely directed to the website of agriculture ministry. Has the need for domain expertise in plant breeding been felt so as to look for another M.S. Swaminathan? Is there a need for a plant pathologist? A marketing expert? Or is the nation destined to have joint secretaries in all branches of a given Ministry? Therefore, we must recognise that domain expertise is salient only in a very narrow context.

A clear trade-off

What is common between the lateral entry policy and the push for simultaneous polls is a certain restlessness that the system has become too unwieldy to speed up development. The sentiment is



honourable but misplaced. The Founding Fathers felt that India needed a responsible government more than an efficient one. Trade-off, there is.

While elaborating why the Constituent Assembly preferred the parliamentary over the presidential system, B.R. Ambedkar reflected the sense of the House that while the former is more responsible but less stable, the latter is more stable but less responsible. Is the country in such a state to opt for efficiency at the cost of accountability?

Of the three methods at our disposal to ensure the government is responsible, one is independence of judiciary; the second is to subject the executive to constant scrutiny of the legislature; and the third is to maintain bureaucratic neutrality.

Most democracies train their higher civil servants to be accountable rather than efficient and India is no exception. What haunts a civil servant is the spectre of having to answer to a *quo warranto*

say no to the attractions of power.

In the days ahead, the PDP will struggle to maintain its relevance in the face of the anger of the local Kashmiris (who felt betrayed from day one of the alliance), mainstream parties such as the National Conference and the Congress looking to strengthen their position in J&K, and the BJP which will try to wean its legislators away. The PDP did not have Jammu – now it stands to lose Kashmir too.

Security implications

In the days ahead, the BJP is likely to justify its stated reason for withdrawing from the coalition by ratcheting up proactive military operations in Kashmir and putting further pressure on the separatist camp. An uncompromising militarist approach, which the BJP will perform have to adopt, would inevitably mean more militant recruitments from within Kashmir and consequent civilian, military and militant casualties. What happens in Kashmir is directly linked to the higher infiltration on the Line of Control and International Border and more fire assaults between the Indian and Pakistani militaries. Furthermore, given the political humiliation it has suffered, the PDP will be left with two choices: extinction or a return to its soft-separatist stance. If the PDP adopts the latter, it would further vitiate the politico-security atmosphere in the State, at least in the short term. Howsoever one looks at it, Kashmir is headed for troubled times with potential implications for the rest of the country.

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write against his alleged action/inaction. If this dynamic renders bureaucracy slow to act, it’s a welcome trait. In any case, a civil servant is expected to follow the decisions taken by the political executive which is the real master.

The new system is open to three groups: 1) officers of State governments; 2) employees of public sector undertakings and assorted research bodies; and 3) individuals in the private sector, MNCs, etc. Among the three groups, any metric of accountability, bureaucratic neutrality and fidelity to due process gets progressively worse from group 1 to 3.

The nation cannot escape the havoc likely to be wreaked by a large number of private sector experts becoming joint secretaries on three-to-five year contracts. Whatever training or orientation that these new entrants will undergo cannot match 15-20 years of acculturation/on-job training that regular officers receive before they become joint secretaries.

Unless the government is mindful of the dangers, lateral entry can result in large swathes of higher bureaucracy being consumed by the ‘nation-building’ zeal at the cost of accountability.

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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.

Kashmir politics

All the major political parties in Jammu and Kashmir – the Congress, the National Conference, the Peoples Democratic Party and the Bharatiya Janata Party – are represented in the Assembly. All these parties are committed to peace and the development of the State. They have also been in and out of power in the State in various combinations. Yet these parties are divided, which is what separatists and Pakistan-supported elements draw strength from and use to continuously disrupt peace and growth in the State. Perhaps all these parties can unite and thwart these grave designs to interfere with our sovereignty. A unity government can restore democracy in a meaningful manner and send out the message to Kashmiris that their future can be made secure. The national parties should take the initiative to put forth such a plan. All this may be

wishful thinking but it’s worth a try to prove that India follows democratic norms and always has peace in mind (“Mehbooba calls it quits as BJP pulls the plug”, June 20).

B. SUNDAR RAMAN,
[Coimbatore](#)

■ The BJP’s move is just not acceptable. Most of its reasons do not pass muster. Though the Agenda of Alliance had been put on the backburner, the two parties should have worked things out. It is unfortunate that the people of Kashmir are constantly being denied an opportunity to live in peace.

UNNATI KHUBYANI,
[New Delhi](#)

■ As predicted by many, the alliance finally ended. When it was formed, many of us hoped that it would focus on development, but its energy was consumed in combating militancy. The grave question which arises now is this: How does one bring everlasting peace in the region? There are more problems now – more

radicalisation, greater alienation of Kashmiri youth and lack of much needed employment. If Governor’s Rule is imposed, military interventions will rise which in turn will fuel greater hostility.

ASIF ALI,
[Roorkee, Uttarakhand](#)

■ The collapse of the BJP-PDP government marks the logical end to a political experiment which had arisen as a result of circumstantial post-election compulsions. Rather than encouraging petty politics, one hopes that parties across the political spectrum rally behind the Union government and the Indian Army in rooting out terrorism in the State. The underlying lesson from the political development is that in the absence of a coherent ideology and constructive vision for development, political experiments such as the PDP-BJP government are bound to collapse under the weight of internal contradictions.

B. SURESH KUMAR,
[Coimbatore](#)

■ I am sure that the BJP’s decision was not just guided by the direction of politics in the State but it also had an eye on its vote base in the rest of India *vis-à-vis* 2019. Its decision might be politically smart but runs the big risk of turning the simmering ‘Delhi-Kashmir divide’ into a conflict. The PDP too must have been weighing its options.

J.S. ACHARYA,
[Hyderabad](#)

■ Jammu and Kashmir is a problem which cannot be solved overnight by any political party. The unpalatable truth is that the State is run not only by the elected government but also by the stone pelters and separatists, and Pakistan. The situation is going from bad to worse. The PDP-BJP alliance failed miserably in leading the State on the road to development.

N.R. RAMACHANDRAN,
[Chennai](#)

■ While Mehbooba Mufti advocated dialogue and a process of reconciliation, the

BJP reposed faith and trust in a muscular security policy. Under Governor’s Rule, the security machinery may have ‘more freedom’ to ‘crush’ militancy but it will hardly usher in vital and permanent peace in the State. It is time the Centre initiates a process of dialogue with all those concerned in the State and strives to address the growing sense of alienation among Kashmiris.

M. JEVARAM,
[Sholavandan, Tamil Nadu](#)

Cracks in corridor plan

The arrest of rights activists who are critical of the proposed eight-lane Salem-Chennai ‘green corridor’ shows that development is still flawed (“Green Corridor survey team meets with stiff resistance”, June 20). What sort of growth will there be if the legitimate concerns and voices of those who could be affected are smothered? What is the point in ‘high-tech’ infrastructure if fundamental rights are trampled on? And has there been any thought given to the grave mistake of

acquiring fertile agricultural land?

PHILO MAGDALENE A.,
[Chengalpattu, Tamil Nadu](#)

A wild encounter

It was thrilling to have words to the experience of *The Hindu’s* photographer when he managed to photograph a family of tigers (OpEd page, “Notebook”, June 20). At the time, I often wondered how the villagers and tourists were brave to watch a tiger so close. It was only after I read the piece that I knew what a close call it was.

SULAKSHANA SRIVATSAN,
[Bengaluru](#)

Japan scores, and how

Japan’s win in a FIFA World Cup match is incredible (“Sport” page, “Tenacious Japan pulls off historic win”, June 20). What is even more amazing is when their fans proved they are the best – they stayed behind to clean up the stadium following their win against Colombia.

JACOB GEORGE,
[Kochi](#)

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