



Spirit of Paris

The climate change meet in Bonn must heed the 2015 targets, despite the U.S. reversal

The 23rd conference of the UN Framework Convention on Climate Change under way in Bonn faces the challenge of raising the ambition of the world's leaders, and giving practical form to the provisions of the Paris Agreement. Although 169 countries have ratified the accord, and there is tremendous support for greener, low-risk pathways to growth worldwide, the Trump administration in the U.S., one of the top emitters of greenhouse gases (GHGs), has announced it will withdraw from the pact. Even if it will take until 2020 to achieve an actual withdrawal, the U.S. action reverses the overall momentum achieved in Paris in 2015, and negates President Barack Obama's legacy of regulations designed to reduce America's GHG emissions, especially from the use of coal. It is heartening that China, which has achieved rapid economic growth and leads in GHG emissions, is firmly behind the pact to reduce the risk of climate change. There is steady progress in the growth of renewable energy sources as they become cheaper and the efficiency of solar, wind and energy storage technologies improves. As UNFCCC Executive Secretary Patricia Espinosa has said, the time is now to firm up the tasks set out in the agreement reached in Paris, notably on funds to mitigate and adapt to climate change. The Agreement has a benchmark of raising \$100 billion a year by 2020.

Major risks from climate change, such as extreme weather phenomena, loss of agriculture, water stress and harm to human health, pose a threat to millions around the world. For some countries, such as Fiji, which holds the presidency of the Bonn conference, and other small island-states, the future is deeply worrying because of the fear that sea levels may rise sharply due to climate change. The recent Emissions Gap Report from the UN underscores the terrible mismatch between the voluntary pledges made by countries for the Paris Agreement and what is necessary to keep a rise in global average temperature below 2° C, preferably 1.5° C. All major countries, especially those that have depleted the global carbon budget by releasing massive amounts of GHGs since the Industrial Revolution, have to respond with stronger caps in their updated pledges under the Paris Agreement. India's emissions have been rising overall, but it has committed itself to lowering the emissions intensity of its GDP by 33-35% by 2030 from the 2005 level. By some estimates, India has been awarded among the highest levels of multilateral climate funding at \$745 million since 2013. Securing funds for mitigation and adaptation is a high priority for India, but it must ensure that States acquire the capacity to absorb such assistance efficiently. While the emphasis on a giant renewable energy programme has won global acclaim, the focus is equally on India's readiness to embrace green technologies across the spectrum of activity, including buildings and transport.

Stock-taking

Corporate earnings show a mild recovery, but valuations remain a major concern

India Inc.'s earnings performance for the second quarter of the financial year has turned out to be largely in line with street expectations. Both revenue and profits, when compared to the results reported for the first quarter ending June, have shown signs of improvement that suggest a slow but steady pick-up in demand in the wider economy. This is comforting news for many who feared that the twin shocks of demonetisation and the hasty implementation of the GST would have significant medium to long-term effects on the economy. The quick rebound in the earnings of corporate India, however, should not come as too much of a surprise. Both demonetisation and the introduction of the GST, while definitely disruptive, are transitory in terms of their economic impact. It is also worth noting that most analysts had revised their earnings estimates downwards in the wake of the rapid policy changes. Such moderation in expectations too has probably played a part in making the earnings performance look better. However, the financials of many companies are yet to fully recover to match their performance prior to demonetisation. This is striking in sectors such as microfinance and housing finance, where companies have struggled to revive their loan book and disbursements growth rates, also in companies dependent on consumer demand. Many have clocked profit growth through cost-cutting rather than superior revenues.

Going forward, however, a return to largely normal earnings growth is more likely than not as the wider economy returns to normal under a more stable policy climate. None of this is to deny the expensive valuations at which Indian stocks are currently priced by jubilant investors. The market, which has been hitting new highs every passing week, has not cared much about the lack of sufficient earnings growth. It has been generous in offering sky-high prices to initial public offerings, and now trades at a historically expensive price to earnings ratio, calculated based on trailing earnings, of well over 24. The tightening of liquidity by major central banks like the U.S. Federal Reserve has not dampened its spirits either. Domestic mutual funds have been more than able to fill the gap left by foreign investors, thanks to a surge in retail investors putting in money through monthly plans. The Centre's recent initiatives to ramp up spending in the economy by reviving credit growth and public infrastructure spending could yield some positive results, but will take time to materialise. Visibility on the time horizon for a full-blown and sustainable uptick in corporate earnings remains as hazy as the smog that is engulfing the capital where policy-makers are fire-fighting on GST. A swift and tactful unravelling of the GST tangles could, in fact, be the quickest fillip for reviving consumption and investment.

Straws in the Gujarat breeze

Can the Congress pitch its campaign strong enough to make up for organisational weaknesses?



ZOAYA HASAN

More than three years after the Bhartiya Janata Party (BJP) stormed to power at the Centre with an unprecedented victory, it finds itself on the defensive, especially on the economic front. This defensiveness extends to the political front as well, evident in the Gujarat election campaign where after 19 years of unbroken rule, the party is facing a serious challenge.

Tell-tale signs

Three developments signal that political equations in the country may well be in a state of flux. First, the rejection of the Akhil Bharatiya Vidyarthi Parishad (ABVP) in recent university elections indicates a strong sense of discomfort with the BJP's politics among the youth who gave the party solid support in the 2014 Lok Sabha election. Second, the Election Commission's decision to de-hyphenate the Himachal Pradesh and Gujarat Assembly election notification which allowed the Central and State governments more time to frantically announce sops, including slashing rates of the goods and services tax (GST) on select items, loan waivers for farmers, and benefits for government employees. Third, Prime Minister Narendra Modi's attempt to pass the blame for the disruptive introduction of the GST and its shambolic implementation on the Congress implies that something is really changing on the ground.

For the first time, he argued in favour of collective ownership of the GST after taking sole credit for its introduction in a midnight session of Parliament, saying that all State governments, including of



the Congress, are responsible for the GST.

This has created opportune conditions for the Congress Party to come out of its self-imposed hibernation since 2014. It suddenly appears to be eager, even aggressive, in taking on the BJP on its home turf. This coincides with a rising discontent across the country over the economic slowdown and growing job losses. The double blunder of demonetisation and GST seems to have infused new life into Congress vice-president Rahul Gandhi's floundering political career just weeks before his likely elevation as the party president.

The Gujarat election, which was expected to be an easy win for the BJP, has unexpectedly developed into a possibly close and certainly engrossing contest.

For the past several years, the BJP has constantly harped on the Gujarat model of development claiming that it was a perfect formula for growth, and it could be extended to the rest of the country. But in the meantime, Rahul Gandhi and his party upped their game in Gujarat, seeking to puncture the mythology built around the Gujarat model with pointed attacks on the government's economic policies and the inadequate development in the Prime Minister's home State.

Against this backdrop, the Congress put the BJP on the back foot with its Gujarat campaign highlighting joblessness, decelerating economic growth and poor social infrastructure through the hashtag "Vikas Gando Thayo Chhe" (development has gone crazy).

Where is Vikas?

It has gone all out since then to broadcast and publicise the social media campaign captured by the image of an upturned state transport bus with its wheels off. While the Gujarat model proved extremely persuasive in 2014, three years later people seem to have a more sceptical take on it and what lies beneath it. Despite three decades of high growth rates, Gujarat's performance on social indicators has not improved significantly; this has damaged its credibility.

For the first time in more than two decades, people are freely criticising the ruling dispensation, mocking the Gujarat model through jokes, caricatures, and parody. One witty message posted on Twitter sums up the popular take on the model: "In a conversation, on seeing the railway tracks submerged in water, a person asks why Vikas is not visible. He gets the reply that as Vikas is sitting in the bullet train, he is invisible."

The growing number of humor-

ists poking fun at official policies has struck a chord among people. It forced BJP president Amit Shah to urge the State's youth not to fall prey to the Congress's anti-BJP propaganda on social media. Thanks to this campaign, the ruling party is facing its toughest fight in State, in sharp contrast to the 2012 Assembly elections, for instance, when Mr. Modi had made powerful use of social media in his campaign against the Congress.

Aside from the advantages of political humour, the Gujarat campaign underlines the effectiveness of a State-specific approach. Ensuring that the Gujarat election remains a State battle, the Congress has fashioned its campaign around governance, law and order and failed promises of the Gujarat model, and questioning the leadership of incumbent Chief Minister Vijay Rupani and his predecessor Anandiben Patel while targeting specific social constituencies. Finding itself on the defensive on issues like nationalism, terrorism and corruption, the Congress has shifted the discourse to development failures to preempt Hindu consolidation; it is cornering the government on the economic front and at the same time shunning cultural and emotional issues. The Congress is keen to shed its minority image and deflect attention from Hindu-Muslim tension in order to prevent the BJP from diverting the simmering discontent towards the familiar territory of minority appeasement and the projection of Congress as a Muslim-centric party.

However, while drawing attention to the government's economic failures, the Congress has not offered any alternative model of growth. In his speech at the University of California, Berkeley in September, Mr. Gandhi said the Congress can steer a new development model in the future and that "creating jobs in a democratic environment" is vital for inclusive growth. But what this new model is

has not been spelt out so far. A critique of economic failures is not enough; a party must shape it with a social and economic agenda of its own. Also, the weakness in the Congress's organisation remains glaring: it has no strong State leader and no organisation. The party has been rendered organisationally quite weak in Gujarat over the past two decades; it needs a dedicated cadre of grassroots workers and an organisation to fight the formidable RSS/BJP election machine, which it does not have, leave alone the capacity to micro-manage elections as this political machine can.

Map of disaffection

To harvest the collective discontent in the State, the Congress has reached out to disaffected groups, including the Patidars, by attempting to build a social coalition with like-minded civil society leaders in Gujarat against the BJP.

The new coalition is pivoted on socio-economic issues, and not identity politics. That's the new strategic dimension of the campaign. Hampered by the lack of a strong local face, it revolves around bolstering the anti-BJP sentiment whipped up by the troika of young leaders: Alpesh Thakor, Jignesh Mewani and Hardik Patel. In theory, the support of OBCs, Dalits and Patels, represented by these three leaders, along with that of Adivasis, can give the Congress an edge over the BJP; in any event, their support has helped to create a public mood against the BJP.

It is too early to say what electoral dividends this fascinating campaign will pay, but one thing is clear. It has unsettled and disrupted the official narrative about the much-hyped Gujarat model of development that paid rich dividends for Narendra Modi in the 2014 elections.

Zoaya Hasan is Professor Emerita, Centre for Political Studies, Jawaharlal Nehru University

Discordant notes

A year after demonetisation, its effects have still not been quantified



PUJA MEHRA

The National Democratic Alliance government is celebrating November 8, the anniversary of demonetisation, as Anti-Black Money Day. Cabinet Ministers will disperse to State capitals where they will elaborate on demonetisation's numerous putative successes. The Prime Minister may be in Gujarat, which goes to polls next month. All day there is bound to be much speech-making. Evidence and analysis that tax officials have compiled is likely to be taken on board to add substance to political rhetoric. The bandobast details, released to the media in advance, suggest that the planning has been meticulous.

In the days after more than 80% of the cash in circulation was removed via demonetisation a year ago, chiefly in the quest to stifle the black economy, the discourse turned so extreme and divisive, the goals were sought to be shifted so fast, that getting a fix on demonet-

isation became tough. So the anniversary is a good occasion to revisit the question: has the note-ban proved to be an effective policy tool to attack the black economy and control corruption? The flow of information recently from the Reserve Bank of India (RBI) makes some analysis possible.

A few good clues

Both former RBI Governor Raghuram Rajan and Deputy Governor R. Gandhi have, following their departures from the central bank, made a few things clear. One, the central bank's recommendation to the government was that demonetisation would prove to be a weak weapon in the war on black money, and that superior policy alternatives were available for achieving the objective. Second, the government pressed ahead with demonetisation, overruling this expert advice.

It appears the government was in fact out of its depth on the subject. The results from its counting of the returned notes show that the RBI did have a point. With 9% of the demonetised ₹500 and ₹1,000 notes back in the banking system, little of the stock of the black money in the country was evidently extinguished. Which means



it was successfully converted into other forms, thereby delaying, if not altogether escaping, detection.

Now, the tax authorities say that they are on the trail of the bank deposits made after November 8, 2016, and are investigating suspicious accounts.

The amounts under investigation so far, however, constitute a drop in the ocean. Yes, demonetisation delivered leads, but establishing criminal evasion and ensuring that the corrupt are punished is a monumental effort. Plus, the tax department's past record of proving evasion is unlikely to be giving offenders nightmares. The faulty system is skewed in their favour. Procedures are time-consuming; there are limitations of administrative and judicial capacity, handicaps the government seems to be

grossly underestimating. It could well be years before any serious large-scale clean-up is accomplished, representing at best a promise of a deferred payback from demonetisation.

Another challenge is that of measurement. Although the chief goal of demonetisation was to place a check on black money, the central theme of the Prime Minister's policy agenda, the government has no official estimate of the size of the black economy. Unofficial estimates range from a third of the white economy to as much as the country's GDP. Without an official estimate, it is impossible to meaningfully evaluate by how much demonetisation successfully down-sized the black economy, if at all.

Some contradictions

The agenda itself is fraught with contradictions. For weeks now, the rules requiring purchase of gold and diamonds (for ₹2 lakh or less) to be linked to PAN (Permanent Account Number) are in suspension. Conversion of black money into gold and diamonds has gone on unencumbered. The window opened when the rules were taken down for a technical reason — they had to be reworded. No one knows how

long this window will remain open.

A year after demonetisation was announced, the questions seem to outnumber the answers. Electorally, voters may judge the policy in terms of intent rather than outcomes. Economists may quibble over the undue costs owing to the debilitating impact on the momentum of economic growth, even as damage to the vulnerable informal sectors remains unmeasured. The government's spokespersons may extol the shrinking cash economy and growing digitisation. But an assessment of demonetisation on Anti-Black Money Day can be complete only if its deliverables on the state of corruption and the corrupt are established.

Missing from the jumble of successes, data and analyses to be exhibited today will be conclusive proof of reduced corruption with evidence-backed answers to questions like: Are fewer bribes being paid and demanded than a year ago? Is corruption down? Are Indians evading less tax post-demonetisation? It would seem India is all set to celebrate what has probably not — can possibly not — actually be measured.

Puja Mehra is a Delhi-based journalist

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.

Fair and transparent

The names of various Indians which have been revealed in the 'Paradise Papers' need to be objectively investigated without any manipulation and influence ("Probe ordered into 'Paradise Papers'", November 7). Also, since there are some names which are there in the Panama leaks and repeated in the 'Paradise Papers', there seems to be credible evidence of suspicious activity of individual involved.

The government has shown its intention to fight black money and needs to expedite the process of investigation, which is often sluggish due to the involvement of affluent people. Any kind of intervention in a transparent investigation might generate impediments and thus denigrate the credibility of the agency involved. A fair, transparent and objective investigation is the need of the hour.

GAGAN PRATAP SINGH, Noida, Uttar Pradesh

Now that the 'Paradise Papers' scandal has broken, one hopes that it does not vanish in the thin air like the Jain diaries' case years ago. On that occasion too, there were many names of political heavyweights across its pages. What happened afterwards is there for all of us to see.

ARUN MALANKAR, Mumbai

Plotting progress

There is definitely no doubt that India has developed by leaps and bounds when compared to its social and economic situation on the eve of Independence ("Plotting social progress", November 7). In fact economic growth has been so subtle that even during the economic slowdown India has still managed to post healthy GDP growth figures. Although growth has been quite uneven. Although many steps and structural changes need to be taken, there are a few things which need to be done at the earliest. First, there is a need to establish

Planning Commission-like institutions at the State level for a more comprehensive study of the issues and needs of the State concerned. Second, there should be unanimity on having education and health in the Central list as these are subjects that there should be no compromise on if the nation really wants to grow. Last but not the least, we need to adopt labour-oriented policies.

KARAN CHOUDHARY, Pathankot, Punjab

Importance of ethics

The article, "Teaching ethics to aspiring civil servants" (November 7), clearly expresses the anguish and the shame felt by a retired officer. There is an age-old saying in India that habits of childhood last for a lifetime. Therefore, teaching ethics should start from childhood. Many people who pass the civil service examination and other demanding tests often feel on top of the world and have little inclination to listen to any talk on ethics. I joined a public sector

enterprise back in the 1960s as an executive trainee, and during the selection we had a session with a psychometrician. A candidate ahead of me came out in two minutes saying that after two questions, the psychometrician called him a liar and sent him out. That did not mean that all those who got selected were honest later.

MATHEW GAINNEOS, Thiruvananthapuram

What does one do when an officer scores high marks in 'Ethics Integrity and Aptitude' and later turns out to be a bad apple? This raises questions on whether the socialisation that we go through inculcates some sense of ethics within us. Can we undo what we learn over a period of time at a later stage? Why can't we introduce ethics at the primary education level?

ATUL KRITI, New Delhi

Moral integrity is the bedrock of the civil service. Civil servants are like steel pillars and help give

strength to policy framework and its implementation. They are also the torch-bearers of major transformations. In short, there is a need to push for virtuousness in budding public officials during their training. We must ensure that every individual who undergoes training as a probationary officer must emerge as a person with sustained integrity throughout his/her service. For this, the government has to come up with all measures and reforms in the training methods.

DIKSHA PANT, Dehradun, Uttarakhand

Training is only the beginning and initiation into the job a civil servant is about to execute. The guidance of senior officers is absolutely necessary in every field of administration. But in today's scenario, integrity is always sacrificed at the altar of power politics. Ultimately, it all depends on the moral fabric of the individual. We only wish

that people at the helm of affairs follow the dictum, Caesar's wife must be above suspicion.

A. PANNEERSELVAM, Puducherry

Scoring high

The women's hockey team did India proud by winning the Asia Cup (Editorial - "Girl power", November 7). But so too has our women's cricket team. In fact Indian women have excelled in almost every sport. We have Jhulan Goswami and Mithali Raj in cricket, Saina Nehwal and P.V. Sindhu in badminton, Sania Mirza in tennis, Mary Kom in boxing; all world class. It is not just the Hockey Federation but the entire sports fraternity in the country that should pay heed to India's victory. The Sports Ministry should devise plans to ensure international competitive exposure in all women's games. Women's empowerment is best started in sports and games.

C.V. VENUGOPALAN, Palakkad

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