

THE WEDNESDAY INTERVIEW | RUCHIR SHARMA

'The 2019 election is going to be all about alliances'

The global investor on the coming general election, the anti-incumbency trend and why he thinks the Indian state is socialist

NISTULA HEBBAR

In his latest book, 'Democracy on the Road: A 25 Year Journey Through India', investor Ruchir Sharma has catalogued the 27 national and State elections that he has tracked over a quarter of a century in his personal capacity. Mr. Sharma, who is the head of emerging markets and chief global strategist at Morgan Stanley Investment Management, discusses the 2019 general election, explains why India has the highest anti-incumbency rate among major democracies and why it can never be a China on economic reforms. Excerpts:

There is a thread running through your book about India's "deep distaste for incumbents". Do you mean Indians instinctively throw out governments, whatever their record?

■ The word anti-incumbency was coined in India. When I write for *The New York Times* or such publications, and I use the phrase, they don't know what I'm talking about because the phrase was coined here. That's because India has the highest rate of anti-incumbency among major democracies in the world. In the U.S. and the U.K., most incumbents tend to get re-elected. In the U.S., for example, two-thirds of Presidents and Governors who stand get re-elected; in India, two-thirds lose their elections. That's what the data say.

There are two or three reasons why this happens. The foremost is that the state in India is broken. Politicians want to do stuff and promise stuff, but the state is just broken and cannot deliver. It just falls through the cracks. For example, yesterday, I was in Bijnor [Uttar Pradesh], and before the District Magistrate's office, a big protest broke out by sugar cane farmers over the question of dues. The whole issue is that you can keep announcing things, like minimum support price, but the moment you take your payment slip

to the Food Corporation of India, they give you the run-around. The mechanism is so broken that your daily interaction with the government is very frustrating and possibly the only thing you can do is vote people out. Secondly, it doesn't take much to vote people out because of the fragmented polity. In most States in India, you can win most seats by securing 30% of the vote share, so then just a 3-4% vote swing is enough to change the fortunes of a government, or if the Opposition comes together, it can change things. These are factors that distinguish India from other countries.

There have been many instances of governments being voted back. How do you explain that?

■ Again, there are a couple of things. There was a period of time, between 2005 and 2010, when a lot of incumbents won elections in India. A couple of things happened in that period. One, the economy was booming and inflation was fairly low, and two, because the economy was booming there was a lot of welfare that could be done, as governments were able to spend on these programmes. This really helped those governments come back to power.

Having said that, one of the more insightful statements which I have repeated



R.V. MOORTHY

twice in the book is by a Mangaluru MLA, U.T. Khader, who said that winning elections in India is like fighting a battery of six tests with a minimum passing mark on each. You can't rely on just one factor – if you don't do enough welfarism, you will lose; you have to get the caste arithmetic and religious politics right; or some huge allegation of corruption hits you. In American politics, there is a far more obvious connection between economics and politics. That argument appears simplistic in the Indian context.

You say that India's national elections are a series of State elections. Can you explain?

■ That's what happened in 2004, in 2009, and, in fact, in most non-wave elections, unlike the 1984-85 Rajiv Gandhi wave and the mini wave, mainly in north India,

○ Narendra Modi and Amit Shah have a belief that the entire media is 'liberal' and out to get them. It's a different situation from, say, 15 years ago, when the word liberal was not used so pejoratively.

for Narendra Modi in 2014. In Delhi and Mumbai, we are preoccupied by questions like, "If Modi doesn't return in 2019, then who comes in his place?" But it doesn't work that way in the rest of India. We are a truly parliamentary system. One bit of data that I keep quoting is that in 2004, the gap between Atal Bihari Vajpayee's popularity and that of Sonia Gandhi's was much larger than the current one between Modi and Rahul Gandhi, and yet because she was able to stitch good alliances,

the Congress was able to win. Even this election, it's going to go State by State.

Coming to political personalities, you say that Bahujan Samaj Party chief Mayawati hasn't been able to accrue much influence outside Uttar Pradesh or grow beyond it.

■ It's amazing to me how no regional leader has been able to grow nationally, and with Mayawati, you would have thought with a large Dalit population across the country, she would have become a pan-Indian presence. But the fact remains that Dalits are not a monolithic bloc of votes. The one State where I remember people telling me that Mayawati could have a big influence was Maharashtra, and yet she is a complete non-entity there. Being a prime ministerial candidate is a different matter and

more a negotiation based on how many seats she gets, but her case proves to me that India is truly a 'continent' of 29 States and it is almost impossible for a leader who is strong in one State to replicate it everywhere else.

A part of your interest in politics was also to see whether there would be a leader who could push economic reforms. In the book, you come to the conclusion that the Indian DNA is statist and socialist.

■ In this country, there is no constituency for privatisation today. Is there any scenario in which you think that any big push for privatisation will be launched after the 2019 polls? I don't think so. There was some chance in 2002, there was some chance with Modi in 2014. To me that is the evidence – that what I said about statism stands. The good thing in India is that the private sector is so vibrant because of some liberalisation in the past that it can carry the can, but that is also why India can never grow like China. In the early years of its development, China had no welfare state; it spent entirely on roads and infrastructure. The Indian polity will not allow that.

Through your many years of covering polls, you have met several political leaders – right from the time they were introduced to politics to when they were more mature in politics. What are the changes in Rahul Gandhi from when you met him in 2007 to now?

■ In 2007, it was a two-hour-long meeting in which he spoke for an hour and 59 minutes. He didn't want to engage much despite the fact

that he had just entered politics and it was a roomful of fairly experienced political watchers. The unfavourable impression was of being spoken down to. Over the years we found that he was much more interested in engaging and listening. We don't know how much of that is change and how much is based on feedback. There is, of course, no doubt that he has improved a lot as a campaigner from 2007.

What about Priyanka Gandhi Vadra and her formal entry into the Congress? Will she be able to make a critical difference to the Congress's fortunes?

■ I think the days are gone when you could just land and your charisma would work. That India is not there anymore. You also know how

○ The idea of building the Congress based on just Priyanka Gandhi Vadra's charisma... that concept no longer exists.

deeply entrenched caste equations in Uttar Pradesh are. To disturb them at this stage will be a very difficult thing to do. If I were to be asked on how she can make the biggest difference, it would be to get her to focus on one thing. Let's say she manages to be the combined Opposition candidate from Varanasi against Modi. Then you can focus that energy on one thing, but the idea of building the Congress so that it's a serious contender by April 2019 based on just charisma... that concept no longer exists. The deliverables from Priyanka should be adjusted in that way if she is to make an impact.

You have described several tense meetings of your travel group with Prime Minister Modi and BJP president Amit Shah. Why is that?

■ They have a belief that the entire media is 'liberal' and out to get them. It's a different situation from, say, 15 years ago, when the word liberal was not used so pejoratively. They really believe that the media is out to get them and it colours that interaction.

But a lot of it also informs a narrative of Modi versus all, and if not Mr. Modi, then anarchy. How well do you think that will work in 2019?

■ Rajiv Gandhi tried something similar in 1989 and that didn't work so well. It may work with some sections of the people, especially the middle class, but at the broader level people vote for the party they want to and not see what's going to happen after the election.

In your view, what will be the overarching issue informing the 2019 election? Will it be jobs, rural distress, Ram Mandir, or Mr. Modi's own version of Hindutva?

■ This election is going to be all about alliances. Narendra Modi's support base is still strong, there could be a little in and out on that, and he could still get 31% of the vote share, but the seats this time could be way less than the 9 to 1 ratio, which was the highest vote-to-seat conversion ratio in the entire electoral history of India.

In how many States the Opposition will be able to put up good alliances will determine the course of this election.

SINGLE FILE

Risks to global growth

Instead of resorting to nationalism and unilateral action, countries should strengthen the multilateral framework

ELLIOTT HARRIS



On the surface, the world economy remains on a steady trajectory. Many developed economies are operating close to their full potential with unemployment rates at historical lows.

Yet, headlines do not tell the whole story. Beneath the surface, a worrisome picture of the world economy emerges. The newly released World Economic Situation and Prospects for 2019 illustrates how rising economic, social and environmental challenges hamper progress towards the United Nations Sustainable Development Goals. There are many risk factors that could inflict significant damage on longer-term development prospects. Over the past year, trade policy disputes have escalated, and financial vulnerabilities have increased as global liquidity tightens.

Should such a downturn materialise, the prospects are grim. Global private and public debt is at a record high, well above the level seen in the run-up to the global financial crisis. Interest rates remain very low in most developed economies, while central bank balance sheets are still bloated. With limited monetary and fiscal space, policymakers around the globe will struggle to react effectively to an economic downturn. Given waning support for multilateral approaches, concerted actions – like those implemented in response to the 2008-09 crisis – may be difficult to arrange.

Even if global growth remains robust, its benefits do not reach the places they are needed most. Incomes will stagnate or grow only marginally this year in parts of Africa, Western Asia, Latin America and the Caribbean. Many commodity exporters are still grappling with the effects of the commodity price collapse of 2014-16. The challenges are most acute in Africa, where per capita growth has averaged only 0.3% over the past five years. Given rapid population growth, the fight against poverty will require faster economic growth and dramatic reductions in income inequality.

Most importantly, the transition towards environmental sustainability is not happening fast enough. The nature of growth is not compatible with holding the increase in the global average temperature to well below 2°C above pre-industrial levels. In fact, the impacts of climate change are becoming more widespread and severe. The frequency and intensity of extreme weather events are increasing, damaging vital infrastructure and causing large-scale displacement. The human and economic costs of such disasters fall overwhelmingly on low-income countries.

Many of the challenges are global in nature and require collective and cooperative policy action. Withdrawal into nationalism and unilateral action will only pose further setbacks for the global community, especially for those already in danger of being left behind. Instead, policymakers need to work together to address the weaknesses of the current system and strengthen the multilateral framework.

The writer is the UN Chief Economist and Assistant Secretary-General for Economic Development



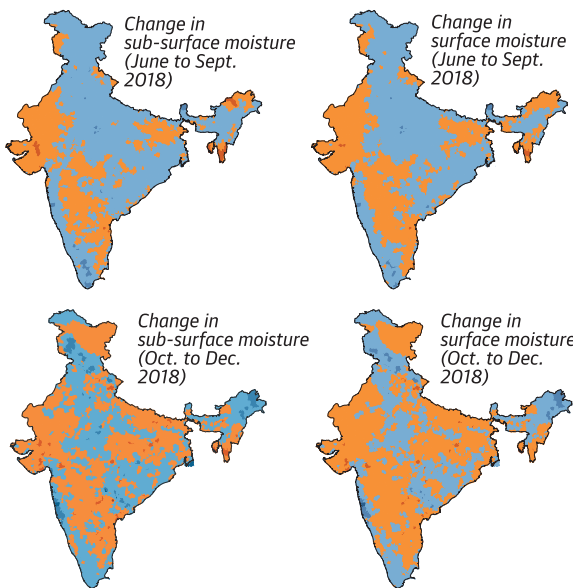
DATA POINT

Dry run

Severe shortage of rain in 2018* reduced the soil moisture in Gujarat, Maharashtra, Bihar, Andhra Pradesh, Rajasthan & Karnataka, leading to an agrarian drought. By Vignesh Radhakrishnan

On the surface of it

The maps depict the change in soil moisture in 2018 compared to the long period average (LPA) in 4,300 blocks across all districts in the country. Blocks in brown had lower moisture in 2018 than the average. The darker the brown, the higher the loss in moisture. Areas in blue had higher moisture in 2018 than the average. The lack of surface moisture hinders seed germination after planting and the lack of sub-surface moisture deters the growth of a crop



SOIL MOISTURE IN 2018 MINUS (-) AVERAGE SOIL MOISTURE IN A TALUK
-3 0 +3
Maps, data sourced from NASA Soil Moisture Active Passive (SMAP) Satellite and processed by Raj Bhagat Palanichamy

Quantifying the loss | The higher the share of blocks with inferior soil moisture in a State, the more severe the farm distress. The table shows the % of blocks in each State which had lower soil moisture in 2018 compared to the LPA. This figure is given for States where the distress is significant. For example, in Gujarat, 81% of the blocks had lower sub-surface soil moisture than the LPA in 2018 in the June to September period. The corresponding figure for surface moisture was 88%

State	June to Sept.		Oct. to Dec.	
	Sub-surface	Surface	Sub-surface	Surface
Mizoram	88	88	88	88
Tripura	81	94	81	69
Gujarat	81	88	75	78
Bihar	68	70	79	83
Arunachal	50	69	13	19
Maharashtra	48	59	57	64
A.P.	48	57	65	71
Rajasthan	44	45	56	67
Karnataka	43	45	56	66
Tamil Nadu	39	45	35	45
Manipur	37	50	73	70
J & K	36	43	43	21
Jharkhand	35	45	71	74
Chhattisgarh	27	29	32	43
W.B.	27	30	54	65
M.P.	19	18	50	57

Most blocks in Gujarat, Bihar, Maharashtra, Andhra Pradesh, Rajasthan and Karnataka had inferior soil moisture levels during the Kharif season in 2018. This worsened in most of these States during the Rabi season. Most blocks in Jharkhand, West Bengal and M.P. had decent moisture during the Kharif season, but the situation worsened during the Rabi season

FROM THE HINDU ARCHIVES

FIFTY YEARS AGO FEBRUARY 6, 1969

Israel rejects Nasser's plan

Israel last night [Feb. 4] flatly rejected the ideas of President Nasser for a solution of the West Asia conflict as "a plan for liquidating Israel in two stages." The first official reaction to President Nasser's interview with 'Newsweek' magazine this week came in a statement from the Israeli Foreign Minister, Mr Abba Eban, who said: "The solution put forward by Nasser is this - first, Israel is to withdraw to the previous armistice lines with the Egyptian troops and Air Force reoccupying Sinai. Then, with Egyptian support, the so-called 'resistance fighters' will move to liberate their homeland." Eban said the continued presence of Israel at Sharm el Sheikh, at the southern tip of Sinai, was necessary to ensure Israel free access to the sea. Mr. Eban said Israel would be guarded against any further closure by President Nasser of the Straits of Tiran at the entrance of the Gulf of Aqaba which leads to the Israeli port of Eilat.

A HUNDRED YEARS AGO FEBRUARY 6, 1919

The Coercion Bills. The Country's Protest.

Reports have been received of a number of public meetings from all parts of the country protesting against the introduction of Rowlatt Bills in the Imperial Legislative Council. [At the Imperial Council in New Delhi on February 5] - Notice of the following further amendments to the Rowlatt Bills has been given in addition to the one already given by Mr. Patel. Mr. Surendra Nath Banerjee will move that in the motion for referring the Bill to a select committee for the words "on or before the 6th of March 1919", the words "within six weeks after the passing in Parliament of the Reform Bill to be introduced to give effect to the Montagu-Chelmsford report", be substituted. Mr. K.K. Chanda will move that the motion for referring the Bill to a select committee do stand over till the Simla Session of the Council. He will also move that the Select Committee do report to the Council during the Simla Session. [At the Bombay Congress Committee] - The Council of the Bombay Provincial Congress Committee have passed a resolution emphatically protesting against the introduction of the Criminal Law Amendment Bills which propose to give unheard of powers of most dangerous description involving unwarrantable and unnecessary interference with the people's fundamental rights.

CONCEPTUAL Napoleon complex

PSYCHOLOGY

Also known as the short man syndrome, this refers to the controversial idea that short people suffer from a sort of inferiority complex that causes them to compensate for their short stature through other means of aggressive behaviour. The Napoleon complex is named after French emperor Napoleon Bonaparte who, according to some, is believed to have adopted an attitude of dominance in order to compensate for his short physical stature.

MORE ON THE WEB

Watch: All you need to know about ISRO's GSAT-31

http://bit.ly/GSAT31