



Focus on inflation

The RBI chooses to stick to its core mandate, ignoring other pressures such as on the rupee

The Reserve Bank of India pulled a surprise on the markets on Friday by keeping its benchmark interest rate unchanged at 6.5%. The decision to stand pat comes even as the central bank changed its policy stance from “neutral” to “calibrated tightening”, indicating that rates could either go up or stay steady in the coming months. The consensus on the street was that the RBI would raise rates by at least 25 basis points to support the rupee, with some even predicting a hike of 50 basis points. Not surprisingly, the rupee weakened past the 74-mark to the U.S. dollar for the first time ever after the news of the RBI holding rates steady hit the markets. Stocks, which have been on a downward trend since September, also took a hit on Friday while bond yields fell. What is obvious is that, through its surprise decision, the RBI has chosen to stick to its primary mandate of keeping domestic inflation just around 4%, notwithstanding other risks facing the economy. Notably, the Monetary Policy Committee’s decision to keep rates steady was strongly endorsed by its members, with just a lone member voting against the decision. And its dedication to strict inflation-targeting was further reiterated during the press conference after the review meeting where RBI officials termed inflation control as their legal mandate.

With its strict focus on inflation, the challenge now will be whether the RBI can simultaneously manage the various other risks to financial stability. For now, the RBI seems to prefer piecemeal measures, such as easing foreign investment norms and mild intervention in the forex market, to address the financial risks posed by the weakening rupee. To be fair, the decision to keep rates unchanged, particularly after two consecutive increases since June, can be perceived as a strategy to keep the powder dry just in case external risks get out of hand. In this sense, the RBI’s decision could be termed prudent. The decision to keep rates steady might also work in favour of the government, which will prefer to borrow at cheaper rates in the run-up to the general elections next year. Bond yields have been on a steady rise since last year as investors have been spooked by fears over the fiscal deficit and the shift in global interest rates. The RBI’s decision to not raise rates may lift the sentiments of consumers and businesses at a time when the economy enters the busy season and festival demand kicks in. Going forward, the biggest challenge facing the RBI will be the prospect of further rate hikes by the U.S. Federal Reserve and central banks in other developed economies, which could force the central bank to look beyond its inflation mandate. The RBI will clearly have to juggle multiple challenges in the coming months.

Augmenting life

This year’s science Nobels compel us to relook at evolution, and also at gender parity

The Nobel Prize for Chemistry this year is a tribute to the power of evolution. The laureates harnessed evolution and used it in the laboratory with amazing results. Frances H. Arnold, an American who was given one-half of the prize, used ‘directed evolution’ to synthesise variants of naturally occurring enzymes that could be used to manufacture biofuels and pharmaceuticals. The other half went to George P. Smith, also of the U.S., and Sir Gregory P. Winter, from the U.K., who evolved antibodies to combat autoimmune diseases and even metastatic cancer through a process called phage display. The prizes reaffirm the importance of the concept of evolution in our understanding of life as among the most profound of forces we are exposed to. The Physiology and Medicine prize has gone to the American James P. Allison and Tasuku Honjo, from Japan, for showing how different strategies can inhibit the metaphorical ‘brakes’ acting on the immune system and thereby unleash the system’s power on cancer cells to curb their proliferation. These immunologists have enhanced the power of the body’s immune system to go beyond its natural capacity.

Arthur Ashkin, from the U.S., has been awarded one-half of the Physics prize, for enabling us to individually hold, study and manipulate tiny bacteria and viruses using ‘optical tweezers’. In many laboratories, optical tweezers are used to study and manipulate subcellular structures such as DNA and little molecular motors. Optical holography, wherein thousands of such optical tweezers can operate together on, say, blood, to separate damaged blood cells from healthy ones could be a treatment process for malaria. The parallel is clearly in how this work has, individually, enabled us to reach out beyond what is permitted by our sensory and physiological capabilities. Gérard Mourou, from France, and Donna Strickland, from Canada, who share the other half of the Physics prize, have been honoured for their methods to generate ultra-short pulses of laser light. The work, published in 1985, went into Ms. Strickland’s PhD thesis and soon revolutionised the field. Among its uses are in Lasik surgery in ophthalmology, and in making surgical stents. More recently, attosecond lasers have even made it possible to observe individual electrons. In sum, the prize-winners have drawn upon the fundamental forces in science and reached out beyond human physical limitations. However, the world of science can do with some introspection. For, two of the six laureates - Donna Strickland and Frances Arnold - are women. They are only the third and fifth women Nobel laureates in Physics and Chemistry, respectively, since the inception of the Nobel prizes. Along with the celebrations, this statistic gives reason for the community of scientists to introspect over what makes an enabling environment for women to practise science in.

In a State of flux

A trend of splintering of political and social alliances has picked up in Uttar Pradesh



MANJARI KATJU

The State of Uttar Pradesh is fascinatingly diverse and a story in contrasts. It has a history of both intense political and religious contestation and of syncretic accomplishments. The State did not witness a social reform movement of the kind that emerged in regions of present-day West Bengal, Kerala and Maharashtra or the self-respect and backward classes movement in Tamil Nadu.

What U.P. did witness during the colonial past was the blooming of secular-liberal political ideas and movements associated with the nationalist/ freedom struggle and paradoxically the assertions of religious and community identities. The revolt of 1857 against the British began here, triggered by caste/ religious considerations of the sepoys. Politics after the failure of the revolt developed two strains - one was of loyalist politics and the other of dissent and sedition. What became dominant in U.P. in the immediate aftermath of Partition and Independence was a secular inclusive politics as represented by the Indian National Congress.

Political weight

The State carries weight politically for the largest number of parliamentary (80) and Legislative Assembly (404), including one for a member of the Anglo-Indian community seats in the country and for having given India eight of its Prime Ministers, beginning from the first, Jawaharlal Nehru.

At one point in time it was also referred to as ‘mini-India’ - a cha-

racterisation from which one has come a long way - but, there still exists a belief that whichever party gets a majority in the Lok Sabha from U.P. becomes the ruling party or wields considerable influence at the Centre. Does it hold true today?

U.P.’s economy has remained largely agrarian except for the growing IT sector in Noida (helped by its vicinity to the national capital). There exists significant internal variation of urbanisation, productivity, incidence of poverty and demography in the four regions that form the State - namely, *Pashchim Pradesh* (west and north-west U.P.), *Awadh Pradesh* (central U.P. or districts around Lucknow), *Bundelkhand* (south U.P.) and *Purvanchal* (east and southeast U.P.).

Rural-urban divide

The western region holds a much higher urban population and the lowest incidence of poverty as compared to the other regions. Bundelkhand lags behind all the regions in material well-being. The rural-urban divide is even sharper in terms of income and consumption-expenditure patterns. Across the four regions, Muslims and Dalits make up the most economically hard-up sections. The State has seen distress-induced migrations as well as outward mobility in search of higher-end jobs.

The Green Revolution brought about a marked prosperity to western U.P. This led to the politicisation of rich farmers and greater political assertions among them. Their moving away from the Congress party saw its gradual decline and that of its ‘umbrella politics’ in U.P. like in many other States. This decline was accompanied by a simultaneous process of political fragmentation. The mid-1970s saw strides by the Hindu right-wing that slowly gained a foothold among the upper castes



THE HINDU

in U.P. The short-lived Janata Party government in the State was an alignment of the upper castes and the rich/ middle peasantry. From this period onwards there was a considerable growth of the Bharatiya Jan Sangh (precursor of the BJP) and later the BJP in the State.

U.P. is a communally ‘sensitive’ State which has seen and continues to see communalisation of social relations and gruesome riots - the western and the eastern regions have been particularly vulnerable. The State has been considerably influenced by community and caste factors in politics as also by strong-arm tactics of entrenched interests that have flourished in areas of stunted growth. This has affected political mobilisation and voting patterns.

The fragmentation of politics in U.P. saw the maturing of distinct strains of politics with sectional support bases. There was a further growth of the Hindu right-wing following mobilisations on the Ramjanmabhoomi issue by the Vishva Hindu Parishad and the Rashtriya Swayamsevak Sangh. However, counter-strains running against this Hindutva-isation trend also came up. The politics of the peasant-proprietors further branched into the politics of the Backward Classes leading to the emergence of the Samajwadi Party (SP). The SP gained strength by stitching an

alliance between the Yadavs and Muslims. The Dalit politicisation and assertions were represented in the Bahujan Samaj Party (BSP), which found its main support base among the Jatavs. Political expression among the Muslims found its way as strong minority voices in the SP, the BSP and the Congress. Later, a few parties like the Quami Ekta Dal and Peace Party came up with the aim of representing mainly the Muslims, but with little success.

The 1990s and early 2000s were a witness to several alliances and coalitions in the U.P. power structures. Also, formation of stable governments was interrupted several times - symptomatic of the social alignments and de-alignments in the State - leading to the imposition of President’s rule. From the year 2003 stability returned and the government alternated between the SP and BSP. In 2017, after a gap of 15 years, the BJP again formed a government in U.P. The ‘Gujarat model’ of development and religious polarisation helped the BJP win overwhelming power in the State. The processes of upward social mobility, religious antagonisms, status anxiety, regional dislocations and Hindutva propaganda prepared the ground for BJP’s success, with the party able to bring together the upper castes, backward castes, established peasantry and Dalits in its support. Yogi Adityanath, the *mahant* of the Gorakhnath *mutt* and a fiery leader of the BJP known for his communal politics, became the Chief Minister of U.P. - a stark instance of fusion of religion and politics. This is perhaps the first time in India that a head of a religious institution became the head of a political institution.

This is how political configurations stand today but, scratching the surface, one cannot help noticing that the trend of splintering

has picked up in the last few years. This has made the task of predicting U.P. politics a tad bit difficult. New class and sectional formations are steadily emerging.

Support bases

The politics represented by Mulayam Singh Yadav has receded and his heir Akhilesh Yadav is yet to show how the refashioned politics of the SP is going to fare under his leadership. BSP chief Mayawati saw a serious erosion in her support base in the last couple of elections and only time will tell whether the distinct class formations in the Dalit communities are going to benefit her or otherwise.

Of late there have been attempts by Pasmandas, who make up the economically lower strata among Muslims and form 85% of the Muslim population of U.P., to organise themselves. With hardly any support from the different U.P. governments, they are coming together in an exercise of political self-help and right-claims and showcasing their secular demands of education and employment. This might further eat away the support of the above mentioned parties. The BJP government, representing an arrogant religious majoritarianism, itself stands on a fragile social coalition. Also, sooner or later the emotional appeal of Hindu unity and nationhood will wear off and the demands for affordable education, healthcare, and jobs might make people look for political alternatives.

In the face of this emergent multiplicity and diffusion of interests, whether U.P. will remain the most decisive voice in the formation of governments at the Centre remains to be seen.

Manjari Katju, author of *Hinduisng Democracy: The Vishva Hindu Parishad in Contemporary India*, teaches at University of Hyderabad

Avoiding the currency basket case

Internationalisation of the rupee will serve India well



FEROZE VARUN GANDHI

The Indian rupee was once a multilateral currency, its usage prevalent across the Indian Ocean in places as varied as Java, Borneo, Macau, Muscat, Basra and Zanzibar. The historic dhow trade ensured that the Gulf had a familiarity with the rupee for over five centuries, with Oman utilising the ‘Gulf rupee’ till 1970.

Colonial rupee

The accession of George V to the throne in 1911, enshrining his rule of the British Raj, led to the issuance of a new rupee coin. The colonial rupee leveraged the Mughal rupee’s popularity, facilitated by trading communities, migration and the Raj’s hegemony. The annexation of Sindh, Ceylon and Burma further encouraged the primacy of the rupee in these areas. Meanwhile, a number of Indian merchant communities had established themselves in such regions, aiding in its convertibility.

Even after Independence, Dubai and other Gulf states were using RBI-minted Gulf rupees until 1966. Between the 1950s and

1970s, gold smuggling was rampant on the Konkan coast, with a number of Gulf businesses buying gold cheaper in the Gulf in rupees and smuggling it to India. Only the devaluation of the Indian rupee in 1966, after the 1965 war, led to such nations switching to their own currencies. Now, only Nepal and Bhutan regularly conduct bilateral trade with India in rupees.

The rupee’s valuation is often of concern. The value of the rupee itself has varied over the years too - contrary to WhatsApp rumours, the rupee was never equal to the U.S. dollar. In 1947, the rupee-dollar rate was at ₹3.30. The aforementioned devaluation in 1966 raised it to ₹7.50, reaching ₹32.4 by 1995. This decline was precipitated by a variety of factors - wars with Pakistan and China, the adoption of Five Year Plans requiring foreign loans, political instability and the Oil Price Shock of 1973. Of late, the rupee has been declining given higher oil prices and FII outflows from stocks and bonds. The ongoing U.S.-China trade war, Iran sanctions and further upward movement in oil prices will continue to test the rupee’s valuation.

While such see-saws do happen, the Reserve Bank of India and the Ministry of Finance do have a number of options for stabilisation, including overtly intervening in the forex market, selling non-re-

sident Indian bonds (as last done in 2013) and conducting a sovereign bond issuance. In addition, the rupee’s dependency on the U.S. dollar must be reduced - India should consider formalising the rupee payment mechanism with friendly countries such as Russia, with a focus on reducing its overall current account deficit. We must continue to guard against fiscal profligacy, with any slippage viewed negatively by the currency markets, further encouraging investors to flee Indian markets. Industrial growth should be a priority; without having goods to sell, rupee swaps (say with Iran) will be difficult to institutionalise. A lower rupee is a recipe for a higher import burden, spiralling eventually into a currency crisis.

The formalisation of the Indian economy, by deterring black money transactions in the rupee, is also much needed. Somehow, the rupee always ends up falling just prior to an election - looking at the data in 2013, Malini Bhupta and Vishal Chhabria found that rupee had depreciated just prior to the election date six times in the past seven elections. India’s black money strategy should consider four pillars - it should encourage tax rate rationalisation, reform vulnerable sectors, support a cashless economy and create effective and credible deterrence. Tax rate



rationalisation, with lower tax rates as an end goal, would increase the tax base and increase compliance with tax returns. Administrative agreements with countries like the U.K. and Switzerland which can offer mutual tax sharing should be encouraged. It is important to create a remittance database detailing company transfers out and NGO transfers into India, all reporting to the Financial Intelligence Unit (FIU). The Direct Tax Administration’s Directorate of Criminal Investigation should be provided the right IT training, infrastructure and funding to become an effective deterrent, while the audit cycles for income tax, service tax and excise tax departments should be aligned, helping the Large Taxpayer Unit (LTU) become more effective, increasing the scope of simultaneous scrutiny and examination.

Finally, looking ahead, the in-

ternationalisation of the rupee is a worthwhile goal to aim for. While the Chinese yuan is increasingly being positioned for an alternative reserve currency through a variety of multilateral trades, institutions (the Belt and Road Initiative, the Asian Infrastructure Investment Bank) and swaps, the Indian rupee remains woefully behind in internationalisation. China campaigned hard for the inclusion of its currency in IMF’s benchmark currency basket in 2015, introducing a range of reforms to ensure that the yuan was considered as “freely usable”. The RBI, meanwhile, has adopted a gradualist approach - allowing companies to raise rupee debt offshore, enabling the creation of “masala bonds” and allowing foreigners to invest in rupee debt onshore; the rupee has transformed from a largely non-convertible pegged currency before 1991 to a managed float. The rupee is currently not even in the top 10 traded currencies.

There is no magic wand to making the rupee appreciate. But institutional resistance against rupee convertibility should be overturned. To restore the rupee’s multilateral nature, we must unshackle its usage.

Feroze Varun Gandhi is a Member of Parliament, representing the Sultanpur constituency for the BJP.

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.

Going it alone

The Congress should take Mayawati’s decision not to strike an alliance with it as a challenge to go it alone in the upcoming Assembly polls (“Short-term window,” Oct. 5). The move by the Bahujan Samaj Party supremo should galvanise the Congress and prod its workers to present a united front. Creditable performances in the elections will not only serve as a much-needed boost to take on the Bharatiya Janata Party but also improve the party’s bargaining power while stitching alliances in the run-up to the general elections.

C.G. KURIKORSE,
Kothamangalam

Rafale revelations

The Rafale revelations have brought major

embarrassment to the Central government, with the Defence Minister and other leaders giving wishy-washy arguments against accusations of corruption (“Has the government lost the perception battle on Rafale?” Oct. 5). It is difficult to fathom that a defence company created just few days before the deal was given the contract for the most sophisticated fighter plane and the expertise of Hindustan Aeronautics Limited, which has produced various fighter jets and continues to provide defence equipment to the armed forces, was ignored. If there was no graft or nepotism, why not initiate a Joint Parliamentary Committee probe?

GAGAN PRATAP SINGH,
Noida

MSP hike

The timing of the Centre’s decision to effect a moderate, yet significant, hike in minimum support prices (MSP) for rabi crops gives an impression that it was done to improve the BJP’s electoral prospects in the upcoming Assembly elections in Rajasthan, Madhya Pradesh and Chhattisgarh (“Fields of concern,” Editorial, Oct. 5). In the present kharif season, most crops are already selling way below the MSPs announced in July. Lack of credibility in fixation methodology and ineffective enforcement have cast a big shadow over the utility of the MSP mechanism. The interests of farmers will be best served if the government removes all restrictions on marketing, storage and

transportation of produce.

M. JEVARAM,
Sholavandan

Grading the disabled

The article “Presuming the disabled to be incompetent” (Oct. 4) highlights the hurdles people with disability face. One, engaging a scribe is not free. Two, there is the issue of communication gap between the scribe and the student. However, evaluation need not be limited to written answers. We can have a simple and inexpensive recording system through which the questions and answers can be communicated in the audio format. The evaluator can then grade the examinee by listening to these clips. Rapid strides in technology have changed the way people with

disability gain knowledge and marking need not be done through outdated procedures.

SHRAVANA D. RAYALA,
Bengaluru

Defending dissent

The article “A manifesto of dissent” (Oct. 5) is in line with Justice D.Y. Chandrachud’s statement: “Dissent is the safety valve of democracy.” Dissent has an even greater significance in a society like ours where radicalism and intolerance are rampant. It serves the purpose of highlighting the differences between mainstream ideologies and minority viewpoints which, in turn, widen the horizons of our cognitive abilities in political, social and cultural spheres. Good disagreement is central to the progress of any

democracy. In this light and as the flag-bearers of progress, we need to have more dissenters.

KSHITTI MANI TRIPATHI,
Lucknow

Shaw shines

Though young Prithvi Shaw is abundantly talented, we should not forget that the West Indies is not the real opposition to test one’s potential (“Shaw announces his arrival with scintillating century,” Oct. 5). The Australian tour on bouncy tracks will be a different ball game and is likely to test even the very best. Hence, the euphoria surrounding his century needs to be tempered.

V. LAKSHMANAN,
Tirupur

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