



A chance in Srinagar

The Prime Minister must take political ownership of the Centre's Ramzan ceasefire

The Centre's announcement of a cessation of operations in Jammu and Kashmir during the month of Ramzan is a welcome step. The direction to the security forces not to launch operations in the State during this period, while allowing them to reserve "the right to retaliate if attacked or if it is essential to protect the lives of innocent people", is aimed at bringing respite to the Valley after two years of escalated violence, since the killing of Hizbul Mujahideen 'commander' Burhan Wani in July 2016. The decision came days after Chief Minister Mehbooba Mufti informed the Centre that an all-party meeting had called for a ceasefire. The quick response will help her recover some equilibrium politically, and get an administrative grip on the street. In this current phase of violence in the Valley, there has been a marked increase in home-grown militancy. All too often, the funeral of a local militant has become the rallying point for anti-state protests, which lead to new recruitment. The ceasefire will limit such occasions. The stone-pelting protests too have taken their toll and deepened alienation. The cessation of cordon-and-search operations is a high-risk initiative – but it is the very riskiness of the gesture that could invite confidence among local groups to consider ways and means to mark an end to the violent couple of years.

A series of calibrated complementary steps are required if any lasting contribution to improving the situation on the ground is to be made. Importantly, the announcement came just ahead of Prime Minister Narendra Modi's scheduled visit to Srinagar on Saturday, and his remarks will be closely tracked. The ceasefire has brought back memories of the 2000 Ramzan effort of the Atal Bihari Vajpayee government. That initiative set in motion a series of developments towards dialogue, despite the still-fresh wounds of the 1999 Kargil conflict. There are parallels between those days and today. In terms of violence, Kashmir is quickly spiralling out of control to the level seen 15 years ago. Even as the security forces have gunned down 64 suspected terrorists in 2018, a large number of young Kashmiris have taken up arms. According to the latest data from the State police, 69 local youth have joined militancy, 35 of them in the wake of the April 1 operations in which 13 locals were killed. But just a temporary halt to security operations in Kashmir is not enough. At best, it can be the first step in a long and difficult road to recovery, and eventually peace. Currently, the 2003 ceasefire on the Pakistan border is in tatters. It must be urgently restored. But most important, a political outreach, possibly unconditional, is required to help Kashmir get back to normal. As Mr. Vajpayee did back then, Mr. Modi must take political ownership of the outreach. Else, the Ramzan ceasefire could remain an isolated outreach.

Nine years after

The anniversary of the civil war's end reveals the persisting ethnic division in Sri Lanka

Nine years is perhaps too short a time for deep wounds to heal, but it is enough time to begin to introspect. However, going by the polarised views around the anniversary of the end of Sri Lanka's civil war, there are few signs of that. For the Tamils who gathered in Mullaitivu district in the Northern Province on Friday, it was a day to remember loved ones killed in those savage final days of the war that ended on May 18, 2009 – according to UN estimates, nearly 40,000 died. The southern Sinhalese political leadership, on the other hand, makes it a point to celebrate "war heroes", hailing their efforts to bring peace. Even this year, national leaders, including President Maithripala Sirisena, saluted the soldiers for their sacrifice, while offering nothing but silence to the civilians who were caught in the conflict. The two disparate narratives of trauma and triumph can never meet, and in such a context, the chances for fruitfully negotiating this hard-won peace will remain slim. Time will only make it harder for the two communities to resolve the ethnic division that has outlived the war.

The government led by President Sirisena and Prime Minister Ranil Wickremesinghe came to power in 2015 promising, among other things, a political solution to Sri Lanka's national question. It initiated the drafting of a constitution that would potentially devolve more powers to all provinces, including the Tamil-majority north and east. Preoccupied with the persistent tension within the ruling coalition, the leadership has done little to take the exercise forward at a convincing pace, let alone complete it. Even the welcome initiatives of the government in the affected areas, such as the release of military occupied land or efforts to probe cases of enforced disappearance, will have only limited appeal or impact in the absence of a durable political solution. The international community has spared the government of pressure on the accountability front, hoping that it would proactively address other concerns that linger for the Tamil citizens. If initiatives on the political front have been so stalled, efforts to revive the economy do not offer much promise either. Almost every family in the north and east is neck-deep in debt and young people are desperate for employment. To say that time is running out is to state the obvious. Addressing the present challenges is one way of helping a wounded people cope with their troubled past. The memories that haunt them may never die. But some healing may be possible if they have a better future to look forward to. This government, which came to power with the overwhelming support of Tamils, must not let them down. It must not add to the list of missed opportunities.

Balancing conflicting claims

The 15th Finance Commission has to take a call on the degree of equalisation that's feasible



C. RANGARAJAN & D.K. SRIVASTAVA

In the context of the Terms of Reference (ToR) of the 15th Finance Commission (FFC), certain key aspects relate to (a) the mandate for using the 2011 population; (b) 'whether revenue deficit grants' be given at all; (c) the impact of the goods and services tax (GST) on the finances of the Centre and States; (d) the reference to 'conditionalities' on State borrowing; and (e) providing performance incentives in respect of some contentious indicators.

Shift from 1971 to 2011

The southern States apprehend that they stand to lose under the so-called 'population criterion' if the 2011 population replaces the use of 1971 figures. State populations change not only because of their differential population growth but also due to migration. Using 1971 population data implies consciously using information that would be 50 years out of date by 2020-21, the first year of the FFC's recommendation period. Population data used by the successive Finance Commissions in different criteria have served as a 'scaling' factor – that is, the larger the size of the population, the larger is the magnitude of fiscal transfer. In principle, fiscal transfer is determined in per capita terms and then scaled up to cater to the entire population living in the State. In deriving the per capita GSDP (Gross State Domestic Product), it is always calculated using current rather than dated population, as is done in the 'income distance' criterion. Scaling per capita transfer up only to an imaginary size of population such as the 1971 popu-

lation for years beyond 1971 was always an artificial exercise. No other major federation uses such a practice. Major federations like Canada and Australia with well-established fiscal transfer principles use all relevant information that is up-to-date as much as possible.

Losses or gains depend on the relative weights attached to different criteria, and changes in other information including per capital GSDP. There is a case under the present circumstances to have a relook and lower the weights attached particularly to the population and income-distance criteria. It is interesting to note that the weight attached to the population criterion has varied from 25% to 10% and that attached to the distance formula from 62.5% to 50% from the 10th to the 14th FCs.

The reference in the ToR regarding revenue deficit grants does not necessarily imply that grants given under Article 275(i) should be discontinued. This article enjoins the Finance Commission first to determine the 'principles' which should govern the grants-in-aid of the revenues of the State and then determine the 'sums' that are to be paid. Revenue deficit grants often did follow implicitly the gap-filling approach, even though moderated by application of some partial norms. This approach has been heavily criticised in the literature on fiscal transfers in India for the adverse incentives that it generates. In fact, there is a strong case to discontinue revenue deficit grants based on gap filling but continue to recommend grants under Article 275 (i) based on more acceptable principles.

Horizontal allocations

Most major federations follow an equalisation approach to determine fiscal transfers that is consistent with the objectives of equity and efficiency. In fact, just preceding the reference to 'revenue defi-



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cit grants' under Clause 5 of the ToR, the FFC has been asked to be 'guided by the principles of equity, efficiency, and transparency'. Under the principle of equalisation, transfers aim to 'equalise' fiscal capacities, enabling States to provide services at comparable standards provided they make comparable tax effort after taking into account cost and use disabilities. Equalisation grants are policy neutral and need not be sector-specific although the 11th and 12th Commissions used the equalisation principle partially to provide sector-specific grants. It is the application of the 'equity' principle that has resulted in relatively well-off States losing their share. It has no other connotation.

In this context, one notable group consists of the mineral-rich States: Jharkhand, Odisha, Chhattisgarh, Madhya Pradesh and Assam. These coal-rich States continue to carry a significant pollution load on behalf of the nation. They lost the opportunity of early industrialisation due the Centre's policy of freight equalisation whereby the transport of coal was subsidised, thereby neutralising their main location benefit. With freight equalisation, many thermal power plants were set up in the southern States, powering their industrial growth. Although freight equalisation is now discontinued, environmental constraints beset setting up of industries in these mineral-rich States.

The Finance Commission has the difficult task of resolving competing claims of different groups of

States. This is best done by adhering to the most appropriate principles, including that of policy neutrality. The Finance Commission, which is ideally expected to provide a symmetric treatment between the Centre and States, is not the appropriate platform for promoting Central policy priorities. References in the ToR to the Centre's flagship schemes, 'populist policies' of States and conditionalities on State borrowing imply an asymmetric view of the Centre vis-à-vis States. In fact, as far as State borrowings are concerned, after the recommendation of the 12th Finance Commission, major States do not borrow from the Centre. In any case, too long ToR should be avoided. Finance Commissions know better.

Devolution of taxes

The 14th Finance Commission raised the proportion of sharable taxes to states to 42%. It was at pains to point out that the increase was largely meant to 'enhance the share of unconditional transfers to the States'. In deciding on the share, it is necessary to take into account not only the constitutional responsibilities but also the perceptions of the people who look to the Central government for remedies to all issues. It started with economic planning. Every economic issue is now laid at the door of the Centre itself. Perhaps, we are reaching a situation where the Constitution itself can be amended to fix the share that must go to States and leave Finance Commissions only with the task of horizontal allocation. Even as the share going to States gets increased, there is need to include 'contribution to Central taxes', suitably measured, also as a criterion in horizontal distribution as some of the taxes are vested in the Centre only on grounds of efficiency and economy. It is here that the relatively advanced States have a valid grouse.

Fiscal transfers in India have long been characterised by two major inefficiencies: the use of dated population figures and a 'gap-filling' approach. Implementing a comprehensive equalisation approach would overcome these deficiencies. This requires estimating States' fiscal capacities reflecting their tax bases. In the case of the GST, consumption rather than income would be a better tax base. This should be supplemented by the tax-bases of the non-GST taxes. To assess the expenditure needs, cost and use disabilities should be incorporated. This should capture higher health expenditures for some States like Kerala where the population is ageing. For the mineral-rich States, the cost of their environmental load should be incorporated. For the hilly States, remoteness would be a cost-related disability.

Full equalisation in India implies considerable redistribution due to the large populations of the low fiscal capacity States (see Rangarajan and Srivastava, 'Reforming India's Fiscal Transfer System', *Economic and Political Weekly*, June 7, 2008, for a detailed discussion). The FFC has to take a call on the degree of equalisation that may be considered feasible. A balancing of criteria is needed. Most of India's future potential growth will be driven by the States which can effectively utilise their demographic dividends, which will be facilitated by an adequate provision of education and health services in these States. This would facilitate an accelerated growth of their fiscal capacities requiring relatively less redistribution for achieving greater equalisation over time.

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SHAIKH MUJIBUR REHMAN

The Karnataka election results once again perpetuate a disturbing trend regarding the decline of Muslim representation in various Assemblies where the Bharatiya Janata Party (BJP) has emerged a dominant force. The number of MLAs is just seven in a State where Muslims make up 12.91% of the population. The decline from 2013 is mainly owing to the BJP's continued strategy of not fielding Muslim candidates, although it has emerged as the single largest party with 104 members.

One story, three States

Though the BJP has a few symbolic Muslim faces in New Delhi, its decision not to field Muslim candidates in Uttar Pradesh in 2014 and 2017, and in Gujarat in 2017, and now in Karnataka only confirms that this exclusion is indeed a carefully crafted campaign strategy. In December 2017, in Gujarat, the Vijay Rupani-led BJP government was sworn in with no Muslims in its ranks. U.P.'s BJP government has the same story, and it will be

so in Karnataka too if the BJP manages to form the government.

When India's largest political party pursues such a strategy and finds it electorally rewarding, it may be emulated by other political parties. What does this exclusion from legislatures imply for the Indian polity or for Muslims? One implication is that Muslims will not be part of the political elites and consequently command their own political voice. Such a vision of denial has been ingrained in the Hindutva narrative and in the writings of its founding fathers. Indeed, it is a necessary process for any majoritarian polity that hopes to force minorities to live according to its terms.

These exclusionary possibilities of a majoritarian polity were foreseen by minority leaders during the Partition debate. In the Constituent Assembly, there was demand for communal electorates and reserved seats like those for the Scheduled Castes and Scheduled Tribes. Sardar Patel, as the chairman of the advisory committee on minorities, took the initiative to abolish communal electorates and communal quotas in legislatures. According to Rajmohan Gandhi, Patel's biographer, this gave him enormous satisfaction.

Representatives of minorities in



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the Constituent Assembly backed the idea to end separate electorates, seen as the reason for Partition. But a considerable campaign was needed to persuade them to give up the demand for reserved seats. Patel was fiercely opposed to the idea of reserved seats. A minority community, he argued, if it speaks in one voice might be able to achieve its demands, but it would lose the goodwill of the majority. Patel persuaded the minorities – Christians, Parsis, Sikhs, Anglo-Indians, and Muslims – to give up reserved seats, to earn that goodwill. Maulana Azad took time but finally conceded. Patel even won over Begum Aizaz Rasul of U.P., a former Muslim League member, to give up reservation. On May 11, 1949, the advisory committee moved a resolution that there would be no reservation except for SCs and STs – it had 58 votes in favour and three against, no consensus.

Christians also gave up their demand for reserved seats, because

they were promised the right to propagate Christianity. But with a slew of anti-conversion laws in later years, harsh and stringent under various BJP governments, the deal with Christians regarding propagation of Christianity stands seriously compromised today.

On another occasion, two weeks later, Patel had said, "I want the consent of all minorities to change the course of history... Whatever may be the credit for having won a Muslim homeland, please do not forget what the poor Muslims have suffered. I respectfully appeal to the believers in the two-nation theory to go and enjoy the fruits of their freedom and leave us in peace." In this age of 'love jihad', 'ghar wapsi' and cow vigilantism, we may ask: Where is Patel's promised peace?

Since 2002, Prime Minister Narendra Modi has been criticised over the Muslim exclusion issue. He was once confronted by former Madhya Pradesh Chief Minister Digvijay Singh at a function in New Delhi in 2008 on this issue. Muslim exclusion, he argued, was not based on any communal consideration but was determined purely by winnability criteria. The idea of winnability is a subjective one, and if the notion of winnability were entirely objective, all the BJP candidates should invariably win.

Clearly, this argument of winnability is intended to hide a deliberate policy of denying Muslims an opportunity to compete for a place in India's political power structure.

Empowerment

Diversity of representation is a natural working principle for a diverse society to articulate the varied interests of different communities – and expand the idea of political justice and empowerment. In an ideal secular polity, non-Muslims could represent Muslim interests, and vice versa, as some would argue. Since that ideal polity is utopian, self-representation becomes necessary as part of diversity of representation to further the cause of democracy. To have a blanket policy not to let a minority community from being part of its highest political structure is a sinister design. For Muslims, this exclusion would depoliticise the community and create political conditions in which the majority would dictate terms, and force Muslims to live at its mercy. It would further perpetuate the idea of Muslim backwardness as naturally ordained in a polarised polity, the way it was argued for India's Dalits for centuries.

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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.

Tussle for power

It is a pity that Governors are taking partisan decisions ("Arbitrary, capricious", May 18). It looks like the BJP wants to capture power by hook or by crook simply because it wants to fulfil its dream of a Congress-mukt Bharat. It is great that the Supreme Court has called for a floor test today. This is going to be challenging for B.S. Yeddyurappa.

JAVANT MUKHERJEE,
Kolkata

It is unrealistic to expect the current crop of Governors, most of whom were politicians earlier, to take their constitutional obligations seriously. Different political parties have used Governors at different points in time to

subvert democratic processes and serve their ends. Governors seem to be mere symbols, often used by the Centre to throw a spanner in the works of elected State governments. The question to debate is: Does India even need Governors?

MANOHAR ALEMBATH,
Kannur

While some MLAs have been taken to Kerala to prevent horse-trading, others have been taken to Andhra Pradesh. After the Koovathur episode in Tamil Nadu, this seems to have become a practice. Are the people to believe that money is not exchanged in the process? After the elections are over, the Election Commission leaves the scene. When there is no

Election Commission to monitor the parties, it is up to the political parties to respect democracy. Evidently, this is not happening today.

S. CHIDAMBARESA IYER,
Chennai

Whatever is happening is such a shame. Elected MLAs are herded like sheep, a national party has no faith even in its own elected representatives, there is open poaching of MLAs, shameless challenges are thrown after the polls are over, and, to top it all, the Governor acts brazenly partisan. Where is this country going?

R. VAIDYANATHAN,
Bengaluru

The Governor did not commit any constitutional

impropriety by asking the single largest party to form the government but what he did fail to do was exercise his mind over the mechanics of how the BJP could achieve the numbers, given that the Congress and the JD(S) had already formed a post-poll alliance. Unlike in most other States, this was a three-way contest. The Governor should have asked Mr. Yeddyurappa how he was going to prove his majority. By failing to do so and by giving the BJP 15 days to prove its majority, the Governor's decision is tantamount to giving the green signal for horse-trading. The Supreme Court has done well to call for a confidence vote today.

A.V. NARAYANAN,
Tiruchi

Unlike his previous articles that commanded respect and rereading, the latest one by Gopalkrishna Gandhi carries no substance ("Architecture of the mandate", May 18, 2018). As Mr. Gandhi was a Governor himself, one expected him to share his acumen and wisdom on how to enforce the most workable formula in tricky cases such as the one facing Karnataka. Hopefully, solutions to a situation like this will be debated even

CORRECTIONS & CLARIFICATIONS: >> The terror attack in Mumbai happened in November 2008 and not November 2006 as mentioned in the report, "Ready to join dialogue with India: Pak Army" (May 17, 2018).

It is the policy of The Hindu to correct significant errors as soon as possible. Please specify the edition (place of publication), date and page. The Readers' Editor's office can be contacted by Telephone: +91-44-28418297/28576300 (11 a.m. to 5 p.m., Monday to Friday); Fax: +91-44-28552963; E-mail: readerseditor@thehindu.co.in; Mail: Readers' Editor, The Hindu, Kasturi Buildings, 859 & 860 Anna Salai, Chennai 600 002, India. All communication must carry the full postal address and telephone number. No personal visits. The Terms of Reference for the Readers' Editor are on www.thehindu.com