



## A deep cut

Tax cuts have enthused Corporate India, but there is the fiscal problem to deal with

Finance Minister Nirmala Sitharaman ushered in Deepavali early for Corporate India and the markets on Friday with her announcement of deep cuts in corporate taxes and roll-back of some market-unfriendly proposals in the Budget she presented in July. The move to cut corporate taxes, for which an ordinance has already been issued by the government, is on a par with if not higher than the sentiment-boosting 'dream budget' of 1997 when the then Finance Minister P. Chidambaram cut taxes with gusto. Corporate tax rate has been cut to 22% from 30% for companies that do not avail exemptions – this means that the effective tax rate for such companies will fall from 34.94% presently to 25.17% which is a significant saving indeed. Similarly, for companies that are incorporated after October 1 and whose projects will be commissioned before March 31, 2023, the tax rate will be as low as 15% (compared to 25% currently). The effective tax rate for this category of companies will be 17.01%, about 12 percentage points lower than what prevails now. The idea behind this move is obviously to generate private investment which is now at a low ebb, but an unstated intention could also be to attract foreign investors looking for alternative sites for their global value chains disrupted now by the tariff war between China and the U.S. With these cuts, the government has delivered on a long-standing demand of Corporate India. The onus is now on the latter to deliver, not just in terms of fresh investment but also in passing on the benefit of lower taxes down the chain to consumers and investors.

Where do the tax cuts leave the government and the fisc? Ms. Sitharaman said that the revenue foregone is ₹1,45,000 crore. This is very significant, especially in the context of the over-estimation of revenues in the Budget and the under-performance in terms of tax collections so far this year. The 2019-20 Budget assumes net tax revenues of ₹16.49 lakh crore, which is a rather ambitious 25% growth estimate over the actual revenues of ₹13.16 lakh crore in 2018-19. If the revenue foregone now is weighed against this unrealistic Budget target on which the fiscal arithmetic is based, the outlook for the projected deficit this year will be scary for sure. It is a no-brainer that the deficit target of 3.3% for this fiscal is unattainable, as things stand. The bounty of ₹1.75 lakh crore received from the Reserve Bank of India as dividend is obviously a cushion and it is this money that the government has now given away. But if the fiscal deficit target is to be met, then the gap from the original over-estimation of revenues has to be bridged. The one route open to the government is to go big on disinvestment where it has already budgeted ₹1,05,000 crore for this year. The actual proceeds should be about double that this fiscal if the original arithmetic is to work. That is not going to be easy. The corporate tax cuts are certainly good for the economy in the medium term but in the short term, until revenues bounce back, the government has a fiscal problem on its hands.

## A rural stimulus

Putting more money in the hands of rural households will stir up the economy

The government's statistical machinery has begun work on revising the indices that capture the trends in consumer prices experienced in rural India. This opens up the prospect for an upward revision in the wages paid out to workers under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). The current national average wage is just about ₹178 per day. The decision to finally embark on a long-overdue exercise is welcome, irrespective of the immediate trigger. The basket of items whose prices are tracked for constructing the Consumer Price Index for Agricultural Labourers (CPI-AL), for instance, has not been updated for at least three decades. Apart from essential spending on food, rural expenditure patterns have altered significantly in the intervening period, making space for higher spending on services such as education, transport and, of course, telecom. But two-thirds of the dated inflation index is still driven by food prices, which may effectively end up understating the price pressures facing rural households. This depressant effect could be accentuated when low food inflation coincides with decelerating farm incomes that still drive India's rural economy. Once a new basket is constructed, the Statistics Ministry, along with the Labour Bureau, plans to improve the currency of the CPI-AL (to which MGNREGA wages are linked) and CPI-Rural indices with annual reviews.

If the index revision concludes soon enough, the Centre is geared up to notify updated MGNREGA wages in the current fiscal year itself rather than wait for the onset of 2020-2021. This sense of urgency suggests the government views giving a fillip to the rural economy as a critical tool to combat the headwinds of the slowing economy. The slowdown narrative (and the Centre's measures to address it) so far has been dominated by urban India's consumption slump and easing the corporate tax structure, but the distress in villages where incomes are more vulnerable is more disconcerting. The Reserve Bank of India, in its annual report, has pointed to weakening rural demand since the third quarter of 2018-19 as a serious concern and termed reviving consumption as its top policy priority. Reflecting rural distress, demand for work under the MGNREGA has been rising. With job creation in a flux and sentiment about the economy worsening, any move to put more money into rural households' 'sticky' spending kitty would likely have a better pay-off towards stirring up the economy than shopping fests and tax sops for urban India.

# One people, many countries

The Indian American gathering in Houston will be an unlikely reminder of the futility of the claims of ultra-nationalism



VARGHESE K. GEORGE

Around 50,000 Indian Americans are expected to attend a rally in Houston, Texas on September 22 to be addressed by Prime Minister Narendra Modi and U.S. President Donald Trump, current leaders of the world's largest and oldest democracies. In multiple dimensions, this event will showcase the paradoxes in the politics of the two protagonists and their primary audience, the Indian American community. The event might spur self-reflection among some, but could harden the positions for many and sharpen the polarisation in the community.

Many of the attendees at the rally would have taken the oath of allegiance to become U.S. citizens, in which they are required to "absolutely and entirely renounce and abjure all allegiance and fidelity to any foreign... state", where they were citizens earlier – in this case, India. The rest will be largely those waiting for the opportunity to "voluntarily" do so. They will be singing 'Vande Mataram' and 'Bharat Mata Ki Jai', salutations to the motherland which is India, as it had happened at earlier gatherings of the Indian diaspora in the U.S. and elsewhere addressed by Mr. Modi.

### Contours of a project

Naturalisation requires one to abjure allegiance to a foreign country, but America allows dual citizenship. Though India does not allow dual citizenship, the societies in both countries are largely accepting of multiple identities. However, Mr. Trump and Mr. Modi lead politics that seeks to assert and privilege a national identity by subordinating particularities, and

rebuild their nations into puritan, unitary communities. This project also involves, in both countries, a massive state drive to identify, isolate, detain and possibly expel people who are suspected to be intruders into the nation. The India of Mr. Modi's Hindutva dreams, advancing rapidly under his rule, will be "one nation" with one people, one language, one religion, one election, one market, and one everything – a homogeneous, Hindu utopia. The Houston rally could be an opportunity for both leaders to see up close the fallacy of this pursuit. It will be one people cheering leaders of two countries that they divide their loyalty for. The irony is that Mr. Modi and Mr. Trump ride populism that targets various minorities for fractured loyalties.

### Politics within and outside

Seeking absolute and unalloyed loyalty to the nation from the entire population, expressed as unquestioning fealty to the regime, is the fulcrum of Mr. Modi's politics within India, but abroad he seeks and encourages the Indian diaspora to maintain dual loyalties – for India and their host countries. He wants to influence American politics through spectacular shows of his popularity among American citizens who are being called upon to further the interests of India. Adulation and endorsement in the U.S. will amplify Mr. Modi's support in India. Mr. Trump is using Mr. Modi's popularity among Indian Americans to advance his domestic politics of undermining American pluralism; and the Hindutva champions, who are at the helm of diaspora politics in the U.S., are helping his cause, harming their self-interest.

Mr. Trump has taken a leaf out of the book of their common friend and the leader of the only democracy in West Asia, Israeli Prime Minister Benjamin Netanyahu, who tried to use his projected proximity with Russian President Vladimir Putin to drum up sup-



FILE PHOTO/REUTERS

port for himself among Russian-speaking Israeli citizens in his reelection bid. He lost.

Indian American Hindutva groups, largely upper caste Indians, are advocates of minority rights in the U.S., but simultaneously and contradictorily supportive or uncritical of cultural supremacism and majoritarianism in India. Mr. Modi's followers in the U.S. want American Democrats to fight back Mr. Trump's cultural supremacism that belittles them and their culture. They demand as a right, the American green card and passport, and the Modi government has supported such claims for more opportunities for Indians in bilateral talks with the U.S. But they want American Democrats to keep their mouths shut about the rights of those living in India for generations – whether in Kashmir or those who are arbitrarily being asked to prove their citizenship though they never took an oath abjuring and renouncing India. India-friendly voices in American politics are under attack by Hindutva groups in the U.S. for speaking up for constitutionalism and pluralism in India. Hindutva groups in the U.S. even want Indian American Democratic lawmakers to subordinate American interests to India's.

Ro Khanna, U.S. Representative from California's 17th Congressional District, located in the heart of Silicon Valley, is being singled out by these groups for his association with the Pakistan Caucus, as if they are fighting the India-Pakistan rivalry in America. Mr. Khanna is an unequivocal and strong supporter of a pluralist America, and

India-U.S. ties, and for the same reason rejects Hindutva and its exclusive nationalism.

### Hyphenated identities

Multiple identities and split loyalties are part of human existence. Mature societies and evolved partners recognise this fact. America has a fraught history of dealing with suspected disloyalty among its people. Japanese Americans, Italian Americans, German Americans, Irish Americans and Arab Americans were at various points in its history subjected to treatment that no reasonable American today defends. American citizens of Japanese descent were imprisoned during the Second World War. America's ceaseless global military involvement has been one main reason for this fate of the country's hyphenated citizens, but the upcoming detention centres in India for residents of suspect citizenship have nothing to do with war, unless one is being planned.

Hyphenated identities have sat well within Indian nationalism and one could be a Malayali or Tamil or Kashmiri and still be Indian with all rights and privilege until the recent upsurge of Hindutva began to advocate the pre-eminence of a Hindu-Hindi, religious-linguistic framework for its unitary project. In Houston, it will be Malayali Indian Americans and Tamil Indian Americans cheering, knowing not what exactly they are cheering. Muslim Indian Americans have been largely expelled from the community already, and the Indian Embassy in Washington DC has even stopped the practice of the annual Eid reception since Mr. Modi became the Prime Minister.

Racial and cultural supremacism is often premised on claims of a group being early occupants of a place. Mr. Trump has asked his minority critics to 'go back to where they came from'. Hindutva considers Islam and Christianity foreign to India; India is in the process of changing the law to grant

citizenship to non-Muslim foreigners if they are persecuted in their home countries. The National Register of Citizens, now being implemented only in Assam categorises lakhs of Muslims and Hindus as foreigners, and the exercise is set to be expanded to other parts of the country. The new law will open a route to citizenship to Hindus, while Muslims will be at the risk of detention and deportation. While all this is going on, new genetic and archaeological studies have established beyond doubt that the Vedic heritage of India owes its origins in the intermingling of immigrants from Central Asian Steppe – Aryas – with earlier inhabitants, and the Harappan people lived before the Vedas. The notion of an indigenous religion or civilisation as opposed to foreign ones in the current context, therefore, is spurious. America is a nation of immigrants, but then so is India. India is also a significant source of immigrants for many countries and Indians currently form the largest diaspora in the world.

But ultra-nationalism overlooks these facets of human progress and arrives at bizarrely contradictory positions in its attempt to purify and consolidate the community. It seeks to forcibly integrate those who are reticent and protective of their distinctions. At the same time, it seeks to evict those who are desperate to stay in. And a section of these ultra-nationalists are also desperate to move to a different country while they support the simultaneous forced integration and forced expulsions of populations in the land they have abandoned or seek to abandon. In Houston, this thought must hopefully cross the minds of the audience that has only partly left India and partly arrived in America while listening to two leaders whose politics centres around the archaic question of 'who got here first'.

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# An independent fiscal watchdog for Parliament

A Parliament Budget Office can help drive smarter, more focused debate in the media and with the electorate



VARUN SRIVATSAN

When most people arrive at the ballot box, they vote with their gut. But getting there requires absorbing and shaping months and years of conversations, long-held opinions and ideally, hard facts and evidence.

What is then important for our electorate and the representatives we vote for is that they have an independent, non-partisan source for these hard facts and evidence. This is particularly important for our Parliament, which controls where and how money flows into our government and our country. This body needs to be appointed not based on political allegiance or expediency, but on its expertise in budgetary, fiscal and economic matters.

Regardless of a majority or minority government, this body serves parliamentarians equally and without prejudice. Even in a majority government, besides the few Ministers privy to expertise from the civil service, most parliamentarians do not benefit from timely access to good quality analysis on economic, fiscal or financial matters.

This body exists in many coun-

tries around the world, going by many names but most commonly as Parliamentary Budget Offices (PBOs). These bodies help shape the debate and discourse around the state of the nation's finances and the fiscal implications of significant proposals. The work done by PBOs naturally ends up in the public sphere; when they do, they help drive smarter, more focused debate in the media and with our electorate.

What distinguishes India's democracy, besides its diversity of views and opinions wrought by its size, is its ability to evolve and remain dynamic. What is gravely in danger is evidence-based discussion around important policies that affect the trajectory of our Republic, discussions which can quickly blur the line between fact and fiction.

### Defence costing

Take an example: the Rafale deal with Dassault Aviation. Part of the controversy resulted from uncertainty regarding the true lifecycle costs of the aircraft bought. In 2011, the Canadian PBO released a cost estimate for Canada's purchase of F-35 jets. This estimate far exceeded the one presented by the Department of National Defence.

Defence costing, typically the purview of the Defence Ministry, was a completely new area of analysis, information and research that parliamentarians could now



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access to hold the government to account. Besides costing policies and programmes, PBOs provide significant and sometimes the sole source of information on fiscal and economic projections.

The role of such an office does not always mean challenging the government; it is often the case that economic and fiscal projections of a PBO and the Ministry of Finance are similar. This is unsurprising as data sources and economic methodologies for such projections are well established and uniform.

However, without the existence of another data point, generated by an independent, non-partisan office, it is difficult for parliamentarians to ensure that these projections and estimates continue to be reliable enough for them to make decisions on.

When these projections come into question, the Cabinet can tap the civil service for further research and analysis. Most parliamentarians do not have this luxu-

ry and may have to rely on poor quality third-party data and analysis, done without relevant expertise. This is a situation that must be avoided.

### Co-existing with the AG

A question – and a reasonable one – that often arises is the necessity of such an office when we already have an auditor general. However, this misunderstands the role the auditor general performs, which is to provide retrospective audits and analysis of the financial accounts and performance of government operations.

These audits are often focused on the day-to-day goings on of government, and often hone in on the performance of the civil service. A PBO provides prospective, forward-looking economic and fiscal projections, as well as policy costings. This distinguishes it from an auditor general, which provides useful information, but only after the fact.

Internationally, similar offices have been established across the world, with the most prominent being the Congressional Budget Office in the United States which provides impartial advice to both upper and lower houses of the legislature. Offices in the Netherlands, Korea, Australia and the United Kingdom have also been established for varying lengths of time. PBOs are also making an appearance in emerging economies in Sub-Saharan Africa and South-

east Asia.

In some countries, including Australia, the Netherlands, and most recently, Canada, PBOs have been playing the unique role of costing electoral platforms during an election campaign. In this period, PBOs provide independent cost estimates of electoral platform measures to political parties.

A PBO, or a similar independent fiscal institution, will not solve all these problems but is a relatively cost-efficient way to arrive at a solution. As the process toward the Union Budget 2020 has already kicked off, it would be prudent for parliamentarians to examine the case for a PBO more deeply.

The amount of information parliamentarians need to scrutinise in Budget documents has exponentially increased and a PBO would assist parliamentarians in this process of scrutiny.

Legislatures across the world have witnessed an increasingly stronger executive try to wrest away its rightful power of the purse. A PBO would help resuscitate these powers that have fallen into disuse. This is why India's Parliament and government need to work quickly and energetically to establish such an office; it is in everyone's interests to do so.

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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.

### Rebuilding J&K

It is pleasing to hear the new slogan that has been coined on Kashmir: 'Naya Kashmir banana hai' (Page 1, "Hug each Kashmiri, build new paradise", September 20). But "when" is the moot question. If one is to go by some of the coverage on the situation in Jammu and Kashmir, this seems very unlikely in the near future. The reports in the inside pages are proof of this ("Now, schools turn recreation centres" and "J&K global investors' summit put off", both September 20). When children are affected, there will be a corresponding impact on their future. Kashmir must become the

paradise it is fabled to be but in a transparent, inclusive way.

D. SETHURAMAN,  
Chennai

The official pronouncements have not been backed by tangible improvements in Valley. It is for the government to ensure some good tidings and as long as it is found wanting, people find it hard to believe the official versions. The speech in Nashik appears to be a feeble attempt to drum up support for the upcoming State Assembly election.

ABDUL ASSIS P.A.,  
Thrissur, Kerala

New paradises are not built overnight. It takes years and

years to build them. In fact, paradises are not built per se. They evolve through a natural process. The Prime Minister should have tried to influence that natural process. In the case of Kashmir, the only way to make it a paradise is to give it some semblance of independence. Our Constitution can accommodate Kashmiriyat.

C.V. VENUGOPALAN,  
Palakkad, Kerala

The intent to build a new Kashmir – which can truly be the paradise it is fabled to be – would have been more convincing had steps been taken before the major surgery. Having carried out the sudden and drastic

operation, appeasement and the healing will be a long-drawn-out and complicated process

PREETHA SALLI,  
Mumbai

### Loan melas

It goes without saying that the proposed "loan melas" are bound to be a headache for the government in the near future. One fails to see the rationale behind the Finance Minister saying that no MSME-stressed loan would be classified as a non-performing asset till March 31, 2020. Such loan melas were held under the Congress regime and turned out to be a damp squib. It is no wonder then that these loans turned out to be the

bad debts and the banks concerned were asked to write them off in order to present a rosy picture of balance sheets.

S.K. GUPTA,  
New Delhi

The lending of soft loans with undesirable relaxations in lending norms of banks could prove to be disastrous to the banking industry which is already in turmoil. The aggressive campaign and loan melas by commercial

banks could push people even with weak financial profiles to become the debtors and eventually become defaulters that can only add to mounting non-performing assets. Banks will become the casualty. The stimulus packages and soft loans to boost the economy can be termed piecemeal solutions at best.

N. SADHASIVA REDDY,  
Bangalore

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CORRECTIONS & CLARIFICATIONS:  
The headline of a story (Sept. 20, 2019) on the National Nutrition Mission – Poshan Abhiyaan – has been recast (in order to reflect the nuance in the opening paragraph) as follows: "Poshan Abhiyaan targets are aspirational: study" with a second deck to say: "1990-2017 trends show bigger push needed to achieve goals".

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