

**Beat the heat**

Responsible for a ₹9,000-crore bank swindle in India, diamond merchant Nirav Modi is living a life of luxury in London
REUTERS/FRANCIS MASCARENHAS

STATES OF MATTER

Now you see it, now you don't

Narendra Modi's version of a healthy economy comes under the scanner in a new book by a group of young scholars



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The Narendra Modi government in February presented a regular budget rather than the customary vote-on-account to keep official business ticking while the country goes into a general election. It ignored convention again in not presenting the usual survey of the economy outlining strengths, weaknesses and policy priorities.

Later in February, a group of young scholars released a jointly edited book that made good this deficiency (Rohit Azad, et al, *A Quantum Leap in the Wrong Direction?* Orient Blackswan, 2019, ₹495). Rigorously researched and data-driven, it is a book that lacks the anodyne tone of the official economic survey. Through 15 essays by a variety of contributors, it paints a dire picture of an economy muddling through some of its worst years.

Outside this discourse on economics and policy, Nirav Modi, the rogue diamond merchant accused of a ₹9,000-crore bank swindle, was found, after British media investigations, to be living a life of luxury in a London neighbourhood. Nirav Modi is perhaps most egregious among businessmen who partied riotously on credit while the banks chased after customers to offload a glut in deposits from about the early-2000s. This glut in turn came from an unprecedentedly large inflow of foreign portfolio finance, which paused briefly with the meltdown of 2008 and resumed after major Western economies reduced their interest rates to virtually zero.

With monetary easing now ceased, portfolio investments are volatile and the position of the highly leveraged Indian corporate sector, thoroughly precarious. The banks which hold counterpart assets have no seeming recourse, since the Modi government's enactment of an "insolvency and bankruptcy code" has been too little, too late.

On the employment front, the government's current obsession seems not to address the issue, but to quash the bad news. Early this year, it ordered the suppression of the "periodic labour force survey" that showed unemployment at a 45-year high in 2016-17. It was the year when the government, without any clear rationale – and it now emerges, against the scepticism of the Reserve Bank of India board – ordered the demonetisation of high-value currency notes, paralysing exchange and production processes across a hugely cash-dependent economy.

The rural wage earner has suffered an erosion of earnings in the last five years. Even with this, the scenario was proving stressful for the farm owner who hires in labour. Against a nominal increase of about 5 per cent in wages paid for the cycle from ploughing to harvesting, the farmer's price realisation from sale of produce – assessed by wholesale prices – fell by 0.7 per cent for food crops and rose merely by 4.47 per cent for others.

With all the gloomy tidings, the government seemingly has decided to stake its prestige entirely on the parameter of economic growth. Definitional changes make a comparison over time difficult, but Azad et al revisit the farcical revision of base year in the calculation of national income, which has resulted in two competing versions of the decade's growth record. The government sticks to the more favourable narrative and spins an account of employment growth – drawing on Employee Provident Fund (EPF) subscriptions – that meshes with its happy scenario. It has little use for the obvious truth that EPF subscriptions are relevant to only a small portion

of the organised sector, which contributes no more than a minute fraction to total employment.

Azad and the other editors – Shouvik Chakraborty, Srinivasan Ramani and Dipa Sinha – look at a very wide canvas, highlighting how in the social sectors such as health and education, the government has opted for a quick technological fix. A chapter on the damage caused to the public sphere considers the militarisation and growing acrimony of the political discourse, and the targeting of particularly vulnerable minorities.

Clearly, the government has its attentions fixed on a part of the economy rather than the whole. The book indicates which strata the Modi regime sees as vital to its fortunes. If the tax-paying population, itself a small part of the total, were to be taken in terms of three segments – the top 10 per cent, middle 40 and bottom 50 – the share of the first increased at the cost of the last; the share of the middle remained constant.

As he heads into the election, Modi clearly is counting on all the support he can garner from the top half of the tax-paying population. It is a circumstance of some convenience, that these are the strata that control the media. Modi's claim to a second term will be played out on the terrain of political messaging, with both the mainstream media and his organised army of operatives on social media being pressed into service. Anybody who expects an electoral season of rational political discourse and civil campaign rhetoric, would have to be an incurable optimist or seriously deluded.

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