When you go into court you are putting your fate into the hands of twelve people who weren't smart enough to get out of jury duty

Norm Crosby

A Historic Judgment

The judgment delivered by the Supreme Court on Wednesday on the powers of the Lieutenant Governor and the democratically elected government of Delhi is a historic one in that it restores the primacy of the elected representatives of the people and their right to govern. The apex court has said that except three subjects which are under the Union Government, namely, Land, Police and Public Order, all other powers are exercisable by the elected government of Delhi. By sternly asking the LG "not to play an obstructionist role", blocking the implementation of every decision of the Delhi Cabinet, the apex court has only confirmed which was palpably evident, namely, that under the orders of his political masters, the LG was obstructing the functioning of the Delhi Government.

The apex court has made it clear that the LG has no independent decision making powers and decisions taken by the Delhi Council of Ministers are binding on him. Also, that while the LG has to be kept informed of all executive decisions taken by the Delhi Government, it is the position taken by the LG at the behest of the Union Government is correct that the not necessary to obtain his concurrence on every issue. In fact the LG cannot stall all the decisions of the elected government which represents the aims and aspirations of the electorate. In fact if elected government of Delhi cannot appoint even a chaprasi or buy a box of gem clip without the permission of the LG then there cannot be a raison d'etre for maintaining a Legislative Assembly and a Council of Ministers at the taxpayers' money. It is better to dissolve these bodies.

The Union Government's attitude to the AAP-ruled Delhi Government, as reflected in the LG's decisions and his style of functioning, were violative of the spirit of democracy and were subversive of the powers of an elected government. What has vitiated the entire atmosphere is the inability of the BJP which is ruling at the Centre to digest a humiliating defeat in the Delhi State Assembly elections when the Aam Admi Party swept the polls, winning 67 of 70 seats and the BJP had to remain satisfied with just three. The Congress, which was ruling Delhi, failed to get a single seat and that is why the Congress adopted a line of extreme hostility to the AAP from the beginning, even as it was busy trying to stitch together an anti-BJP front of the opposition parties. Political prudence demands that the Congress retrace its steps and cooperate with the AAP.

Fiscal consolidation and poll compulsions

REFLEX ACTION

G. Srinivasan

The central bankers' central bank, the Basel-based Bank for International Settlements (BIS) has sounded the bugle of manifest vulnerabilities in the global financial system in particular and the world economy in general even as the near-term prospects remain 'bright'.

In its Annual Report, released at its annual general meeting (AGM) on Sunday in Switzerland, the BIS contends sans frills that the vulnerabilities are 'worrisome', given the more limited room for policy manoeuvre relative to pre-crisis of the Great Financial Crisis (GFC) that engulfed the world a decade ago. Since 2008, it said, historically low, even negative interest rates and unprecedentedly large central bank balance sheet have provided important support for the global economy and contributed to the gradual convergence of inflation towards objectives. Yet, central banks the world over were largely left to "bear the burden of the recovery, with other policies, not least supply side structural ones, failing to take the baton".

In his remarks at the AGM, BIS General Manager Agustin Cartsens argued that even as the current economic upswing noticeable in the global economy still relies on extraordinary support from central banks, the latter might find it difficult to manage both financial stability and price stability objectives of the apex bank. Pointing out that the stronger performance of the world economy gives "a window to pursue necessary reforms and recalibrate policies, he warned that the opportunity" should not be missed. The BIS report duly cautioned that the role of financial forces in business fluctuations has grown substantially since the early 1980s across the globe when financial liberalisation took hold. And post-crisis (2008), the weight of non-bank intermediaries, such as asset managers and institutional investors, has risen substantially and is likely to sway the dynamics of any future episodes of financial stress in familiar but also some unexpected ways. One possible trigger of an economic slowdown or downturn could be an escalation of protectionist measures, it said adding that the impact could be very significant if such escalation was seen as threatening the open multilateral trading system. Without referring to the US tariff hike on aluminum and steel on China and a host of other trading majors with equally strong trade reprisals from the rest, the BIS said "there are signs that the rise in uncertainty associated with the first protectionist steps and the ratcheting up of rhetoric have already been inhibiting investment". It further cautioned that "were the recent reversal in the U.S dollar depreciation to continue, trade negotiations would become more complicated".

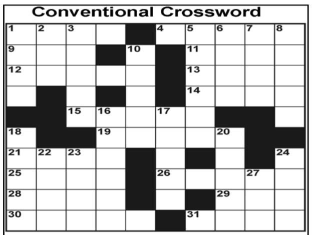
Laying out a raft of measures for global financial market stability, BIS said the first line of action is to redouble efforts to implement structural policies, which remain by far the only way to raise sustainable growth without generating inflationary pressures. It said structural policies, in particular, can alleviate the dilemmas monetary policy is now facing and that are narrowing its room for maneuver. The essence of the reforms is to render product and labour markets flexible, enabling them to allocate resources more efficiently and to absorb technical innovations more easily. The second line of action is to strengthen further the resilience of the financial system, which requires completing and consistently implementing the post-crisis financial regulatory reforms. Ideally, where appropriate, this should be complemented by steps to remove structural impediments to banks' efforts to attain sustainable profitability, which is critical to absorb any losses smoothly and swiftly should these materialise at some point. Instances of such steps encompass tackling the obstacles to the necessary consolidation and cost-cutting. This is also especially important at the current juncture when banks have been facing the dual interest margins and growing competition from new technology-savvy players such as big tech and fin-tech companies.

Without much ado, BIS states that strengthening resilience also requires the active deployment of macro-prudential measures in those economies where financial imbalances have been building up and the improvement of macro-prudential frameworks more generally. Macro-prudential framework is meant as the use of (primarily) prudential tools to target specifically systemic risk and mitigate its macroeconomic costs. Thus the macro-prudential approach to regulation and supervision differs from the more traditional micro-prudential one as the latter focuses on the assessment of the risks institutions face on a standalone basis, with little consequence to the financial system as a whole or the macro-economy.

The third line of action is to ensure the sustainability of public sector finances and to preclude pro- cyclical fiscal expansions. The importance of this cannot be emphasized enough, it said adding that public debt has risen to new peacetime highs in both advanced and emerging market economies. As fiscal space is likely to be overestimated in countries where financial imbalances have been imperceptibly building up, fiscal consolidation is a priority. This is a principal takeaway from this year's thoughtful BIS tome as India is facing a general election next year with the incumbent government fain to indulge in all sorts of sops and populism to get itself re-elected with scant regard to the much-needed fiscal consolidation and in extension the financial stability of the economy, policy wonks wryly say. With India's Urjit R Patel, Governor, RBI being a member of the Board of Directors of this prestigious grouping of the BIS and who relentlessly battled the inflation demon to get the blame for being not pro-growth, how would he handle the situation if the North Block is slack on the fiscal front to score some brownie points by way of patronising the vote banks with no fear for the cruelest form of taxation as inflation is so grimly and graphically portrayed? (IPA)

Rohingya children attend a lesson in an Islamic school at a refugee camp in Cox's Bazar, Bangladesh---REUTERS

Conventional Crossword



ACROSS
1 Destiny
4 Of the sun
9 Frozen treat
11 Sport
12 Play for time
13 Greek letter
14 Minute particle
15 Build
19 Zodiac sign
21 Fasting period
25 Leave out
26 Sends out
28 Charge
29 Faucet
30 Woody plants
31 Refuse to admit

DOWN
1 Clenched hand
2 Perform
3 Tantalise
5 Narcotic
6 Plunder
7 Singing voice
8 Wanders
10 Young eel
16 Disconcert
17 Apple drink
18 High up
20 Venomous ill will
22 Eastern ruler
23 African river
24 Catch sight of
27 Make brown

SUDOKU : 2244

								5
					4	8	2	
1	8			3		9		6
					9	6		8
	3		6		7		5	
2		5	1					
3		4		5			6	1
	1	8	3					
9								

Yesterday's Solution 2243

4	3	8	2	1	6	7	5	9
9	2	5	7	4	3	8	1	6
6	1	7	8	5	9	2	3	4
3	5	4	6	7	1	9	8	2
8	6	2	3	9	5	4	7	1
1	7	9	4	8	2	3	6	5
2	9	6	1	3	8	5	4	7
7	8	1	5	2	4	6	9	3
5	4	3	9	6	7	1	2	8

Yesterday's Cross Word Solution 252

P	A	I	N		C	A	D	E	T
O		R				T	E	L	A
S	H	O	W		R	E	N	A	L
Y		N	A	V	E		I	N	K
			V	E	N	O	M		S
F		B	E	R	E	T			
E	A	R		S	W	I	G		H
A	B	I	D	E		C	A	V	E
T	U	N	E				I		A
S	T	E	E	P		S	N	A	P

Continuing poor performance of Rupee

FOCUS

Nantoo Banerjee

The constant downward journey this year of Indian Rupee compared to major world currencies -- fully or partially convertible -- should be a major cause of concern. On January 1, this year, the spot inter-bank market saw the US Dollar opening at $1 = Rs 63.8027. In just six months' time the value of the Indian currency dropped by almost eight per cent to Rs. 68.80 for a US$. According to international currency market forecast, the Rupee to US$ exchange rate is likely expand further to $1=Rs72.78 by November, this year. That would mean almost 14 per cent loss in 11 months. The Indian currency is weakening steadily. The future outlook, obviously, does not look rosy despite the impressive economic growth rate projection. The rupee is the second-biggest loser in the BRICS group comprising Brazil, Russia, India, China, and South Africa. The Russian ruble is the only currency that has lost more value than the rupee, this year.

The constant downtrend in the value of Rupee suggest that there is something seriously wrong with the country's trade and financial management. High oil import bill this year may be a key reason for India's high current account deficit (CAD) and the fall of Rupee. But, there is little effort on the part of the government to contain the outflow of USD by restricting import of avoidable items on the trade account and luxury expenditure on the service account such as foreign travel, foreign transfer of money on multiple accounts, unproductive outward corporate investments, foreign education, borrowing and debt servicing. While India can do little about the international prices of crude oil, it could certainly look into other areas to contain trade deficit and capital outflows.

According to International rating agency Fitch, Indian Rupee has been one of the worst performing currencies in Asia this year. The country's ambition to emerge as one of the world's major economies in real terms look somewhat hollow in the face of constant rise of its CAD. India's export contribution to its GDP had hit a 14-year low in 2017-18 and imports are surging at disturbing rates. The country's trade deficit increased to $160 billion in 2017-18 from $112.4 billion in 2016-17. Of this trade deficit, over $60 billion was on account of its China trade alone. China has become the biggest supplier of merchandise to India, much of which deserve to be compressed if not rigorously controlled. India's exports to China in 2017-18 amounted to only $13.3 billion while imports added to $76.2 billion. China has on multiple occasions cajoled India by promising to address the high trade imbalances. On paper, it is a different story. At this rate, India's bilateral trade with China too will soon be unsustainable. Otherwise, the country's economy will have to pay a very high price for it. The CAD expansion is clearly responsible for a near-continuous devaluation of Rupee. According to RBI, the CAD for the last fiscal widened to 1.9 percent of the GDP from barely 0.6 percent in 2016-17. The current account stands for the net difference between inflows and outflows of foreign currencies. India's CAD could have been even larger but for an improvement in the net invisible receipts in 2017-18 mainly on account of "increase in net services earnings and private transfer receipts," the RBI said. In terms of inflows, gross FDI (Foreign Direct Investment) into India increased to $61 billion in 2017-18 from $60.2 billion in 2016-17. However, net FDI inflows in 2017-18 fell to $30.3 billion from $35.6 billion in 2016-17. As per the RBI data, portfolio investment recorded a net inflow of $22.1 billion in 2017-18 as compared with $7.6 billion a year ago. RBI said there was an accretion of US$ 43.6 billion to the foreign exchange reserves (on a BoP basis) in 2017-18. Higher net services earnings and private transfer receipts may have helped in arresting even a sharper fall of Rupee during the last financial year. Unfortunately, Rupee is under real stress, this year. And, the trend may continue at least until the next Parliamentary election.

If the currency downtrend is anyway linked with the status of economy, there is little to be excited about India's projected GDP growth and its impact on ordinary citizens. How does one link a 12 percent-plus fall in the value of a national currency with the country's seven percent-plus GDP growth? Maybe some of India's best known economists such as former RBI governor Raghuram Rajan, or just-resigned chief economic advisor Arvind Subramanian, could explain. Rajan was not particularly happy with the style of the government's economic management. He was too sharp to the comfort of many bureaucrats and politicians and was often critical about the economic policies. Freshly resigned Subramanian's views on the state of economy are still not public. He must have been very unhappy with the sudden 42 per cent spurt in India's CAD, last year. Subramanian knew very well that higher oil import price was not the only cause of high CAD.

Oil imports resulted in net outflows of $71 billion in FY18, up from $55 billion in FY17. In fact, non-oil imports were up by 18 per cent. Also contributing to the increase in the import bill was the rise in gold purchases. The net forex outgo due to gold imports rose 22 per cent. Thankfully, RBI has been regularly buying US$ from the market to maintain a level of foreign exchange reserves to prevent any panic in the market. But for such steps, Rupee would have probably seen a bigger dip by now. Among the world's top 10 currencies in terms of exchange value with US$ at present are: Kuwait Dinar, Bahrain Dinar, Oman Rial, British Pound, Euro, and Swiss Franc. Notably, British Pound lost 17 percent value since last year. (IPA)