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Robust economy, but polity vulnerable

As the Modi government completes four years, it can look back with some satisfaction on the economy. However, the polity is a mixed bag. As the government gets into election mode in the run-up to three crucial state elections towards the end of the calendar year, with the next general elections due early on in 2019, it would do well to not take the foot off the pedal on the economic front and do better on the political one.

Economic growth has been at a creditable compound average growth rate of 7.3% over the last four years, assuming the statistical office's estimate for 2017-18 GDP. A world economy struggling to emerge out of the fallout of the 2008 financial crisis was not particularly conducive to fast growth, except in terms of keeping commodity prices, especially that of crude, down, helping contain inflation, the subsidy burden and the fiscal deficit. Serious structural reform has been accomplished. The Insolvency and Bankruptcy Code closes a chapter of crony capitalism in which corporate chieftains brazenly defaulted on their bank loans without fear of losing their companies. The goods and services tax has finally been put in place, full 26 years after Manmohan Singh proposed a VAT in the 1991 reform Budget. State monopoly on coal has been scrapped, paving the way for efficient merchant mining of India's abundant domestic energy source. Demonetisation was a sapping, fruitless disruption of the economy. The power sector continues to be hostage to political reluctance to make consumers pay for their power. While state-funded infrastructure is being built, gross fixed capital formation remains an anaemic 28.5% of GDP. Fixing the twin balance-sheet problem is on but has taken too long.

The BJP's conquest of India had progressed strongly, till it stumbled in Karnataka. However, social divisions on religious and caste lines have aggravated. Four senior judges of the Supreme Court have alleged disorder in the court's working. Money power in politics has grown, along with opacity of funding. Unverified news on social media degrade the political discourse.
