India 2018: Political uncertainty and economic difficulties*

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In 2018, India's internal evolution was characterised, at the political level, by two main developments, both a continuation of trends already visible the previous year. The first was the weakening of Modi's aura of invincibility, epitomised by a string of defeats suffered by the BJP in that year's state elections. The second was the alarming continuation in the erosion of democracy, highlighted, among other negative processes, by the attack on the independence of key state institutions, such as the Reserve Bank of India (RBI) and the Central Bureau of Investigation (CBI).

At the economic level the situation was characterised by the apparent recovery of the economy, after the difficulties experienced in 2017. However doubts emerged that this recovery was more apparent than real, as it was the result of untrustworthy government-released figures. Even accepting at face value these dubious figures, the fact remains that India's economic growth – whatever its real dimension may have been – appeared unable to resolve a set of major socio-economic problems, in particular the insufficient rate of job-creation and the ongoing agrarian crisis.

1. Introduction

This article focuses on the internal situation and the economic evolution of India in the year 2018. As far as the former topic is concerned, two main developments characterised the period, both a continuation of previous trends. The first development was the fact that – as these authors noted while analysing India's political scenario during 2017 – in the second part of that year, Narendra Modi's aura of invincibility seemed to be slowly falling apart.[1] This process continued in the year under review and, at the end of 2018, in the wake of the BJP's numerous electoral defeats – and only a few months ahead of the 2019 general elections – very little remained of that aura.

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1. Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', *Asia Maior 2017*, pp. 267-290.

The second trend, which these authors identified in their analyses of the Modi government's policies since 2014, was the continuing and substantial erosion of India's democracy. In the year under review, not only did the low level yet pervasive violence against Muslims and Christians continue, accompanied by the government pursuit of an increasingly radical *Hindutva* agenda, but there was the attempt to undermine the independence of key state institutions, such as the Reserve Bank of India (RBI) and the Central Bureau of Investigation (CBI).

Concerning the second topic of this article, namely the economic evolution of India, the situation appeared rather contradictory. On the one hand, in spite of the shocks administered by demonetisation and by the introduction of the Goods and Services Tax in 2017, in the year under review the GDP surged ahead with remarkable rapidity. However, this rapid growth concealed a host of small and large problems afflicting the Indian economy and society, some inherited from previous governments, but most created or worsened by the government in charge.

In this article we will analyse the two main developments characterising India's domestic politics in the year under review and we will try to shed light on the contradictory data characterising India's economic evolution. More precisely, we will start with an analysis of the string of electoral defeats suffered by the BJP in 2018. Then, after briefly touching on the low-intensity violence against the minorities – which has continued along the same lines since 2014 and which these authors have already analysed in previous articles[2] – the Modi government's attack on state institutions will be discussed. We will then highlight the positive data related to India's economic growth in 2018; this will be followed by a critical examination of these data; in so doing, some of the numerous contradictory indicators will be quoted. We will also show that the Modi government was not unaware of the underlying problems affecting the Indian economy; in fact the Finance Minister tried to tackle some of them in the 2018-19 budget, which will be examined. However, it will be shown that the measures taken in the budget were insufficient to turn around the two major negative problems affecting India's economic development: the insufficient growth in employment and the ongoing agrarian crisis.

2. State elections

During 2018, nine states went to the polls. Table 1 summarises the results.

2. Michelguglielmo Torri & Diego Maiorano, 'India 2015: The uncertain record of the Modi government, *Asia Maior 2015*, pp. 376-382, and Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', pp. 269-70.

Table 1– Summary of state election results

State	Incumbent party	Ruling party 2018-	Chief Minister
Tripura	CPI(Marxist)	BJP	Biplab Kumar Deb
Meghalaya	INC	NPP & Allies*	Conrad Sangma
Nagaland	NPF	NDPP & Allies*	Neiphiu Rio
Karnataka	INC	INC & Allies	H. D. Kumaraswamy
Chhattisgarh	BJP	INC	Bupesh Baghel
Madhya Pradesh	BJP	INC & Allies	Kamal Nath
Mizoram	INC	MNF	Zoramthanga
Rajasthan	BJP	INC & Allies	Ashok Ghelot
Telangana	TRS	TRS	K. Chandrashekar Rao

Legend: CPI(Marxist): Communist Party of India (Marxist); BJP: Bharatiya Janata Party; INC: Indian National Congress; NPP: National People's Party; NPF: Naga's People Front; NDPP: Nationalistic Democratic Progressive Party; MNF: Mizo National Front; TRS: Telangana Rashtra Samiti.
*Include the BJP in the ruling coalition.
Source: Election Commission of India

The BJP won only one state – tiny Tripura – and lost three important ones that it had governed to the Congress. It also became a junior ally in two other small north-eastern states, Nagaland and Meghalaya.

There were four items of good news for the BJP. First, the success in Tripura was significant. The party, which had no seats in the previous assembly, secured an absolute majority; also, its vote share jumped from 1.5% to 43%. Tripura's result was significant also because it signalled the inroads that the BJP has made in the north-eastern region. In fact, after the 2018 Tripura elections, Modi's party governed on its own or as coalition partner in all the states of the area. However, this part of the country is relatively unimportant in electoral terms, as it elects only 24 MPs to the Lok Sabha.

Second, the BJP emerged as the single largest party in Karnataka (104 seats), even though the post-poll alliance between the Congress and the JD(S) prevented the BJP from forming a government.

Third, the BJP's resilience in Madhya Pradesh – where it had governed for 15 years – was impressive as the party ended with a vote share that, although significantly lower than five years ago, was still on par with the Congress's.

Fourth, the Telangana Rashtra Samithi (TRS) convincingly won the Telangana elections, defeating the (on paper) formidable alliance of the Congress-Telugu Desam Party (TDP). This must have pleased the BJP's leadership, not only because the TRS leader, K. Chandrashekar Rao, is one of the few possible allies of the saffron party in the South, but also because a

Congress-TDP alliance success would have boosted the two parties' effort to build up a large anti-BJP alliance for the 2019 general elections.

Overall, however, it is clear that the BJP had little to celebrate and was able to win only 392 seats out of a total of 1,080.

The 2018 state elections included four states where the contest was between the BJP and the Congress. For reasons of space, this article will examine these states only.

In Karnataka, the elections, held in May, resulted in a hung assembly. Table 2 summarises the results.

Table 2 – Karnataka election results					
Alliance	Party	Seats won	Seat change	Vote share	Vote Swing
-	BJP	104	+64	36.22%	+16.3
INC-JD(S) (post-poll)	INC	78	-42	38.04%	+1.4
	JD(S)	37	-3	18.36%	-1.9
-	Others	3	NA	7.38%	
Total		222		100	
Legend: JD(S): Janata Dal (Secular) Source: Election Commission of India					

While the BJP's performance was disappointing, three factors played against the Congress. First, since 1985, no government in the state has been re-elected. Second, the support of the Congress party was spread across the state, whereas the BJP and the JD(S)'s voters were concentrated, which made it easier for them to convert votes into seats. Third, the state had been affected by at least three years of drought.[3] Given these unfavourable initial conditions, it is significant that the Congress managed to retain control of the state, albeit as a coalition partner.

In fact, the Congress government was quite popular, as its stable vote share shows. The state government, under Chief Minister Siddaramaiah, had implemented a number of generous welfare schemes. These included the provision of free rice to the state's residents and free milk to schoolchildren; a loan-waiver targeted at the Congress's traditional supporters, the Scheduled Classes and Tribes and sections of the Other Backward Classes; and the setting up of the Indira Canteens, where food is provided at very low prices.[4] Furthermore, the government had skilfully tried to break the

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3. James Manor, 'Karnataka May Not Provide a Roadmap to the 2019 Elections', *The Wire*, 11 May 2018.
4. Ronojoy Sen, 'Karnataka Assembly Elections 2018: A Close Contest on the Cards', *ISAS Brief No. 570*, Institute of South Asian Studies, National University of Singapore.

main caste bloc of BJP voters, the Lingayats, by proposing to grant minority status to the community.[5] Finally, the chief minister had tried to shift the focus of the elections to local issues – knowing that allowing Modi to campaign on the basis of a national narrative would be a big disadvantage for the Congress party. A prominent part of the (successful) attempt to «localise» the state elections had been the proposal of a new flag for the state of Karnataka.[6]

Shortly after the results were declared, the Congress and the JD(S) announced that they had formed an alliance and that JD(S)'s leader, H. D. Kumaraswamy, was their candidate for chief minister. This was an important concession by the Congress, considering that the party had won more than twice as many seats than the JD(S). It was even more important in the context of the forthcoming general elections, as it signalled that the Congress had come to terms with the fact that, given its reduced presence across the country, it could not expect to be viewed by its potential allies as the «natural» governing party and, therefore, must be ready to make significant concessions, although this will be subject to state-specific political considerations.

Despite the fact that the Congress-JD(S) had struck a deal, the governor of the state, Vajubhai Rudabhai Vala, a former minister in Modi's cabinet in Gujarat, invited the BJP to form the government. The governor's decision sparked protest by the Congress, the JD(S) and other regional parties across the country.[7] Even more upsetting was the Vala's decision to grant 15 days to the BJP's state leader, former Chief Minister B. S. Yeddyurappa, to form a government. This was seen as an invitation to horse-trading to secure the seven legislators that the BJP needed to win a floor test. The Congress and the JD(S) sent all their elected MLAs to a resort in Kochi to prevent them being tempted by potential offers from the BJP.[8] The issue was settled by the Supreme Court, which ordered that the floor test had to be conducted within 48 hours.[9] Yeddyurappa, facing almost certain defeat, resigned, paving the way for the appointment of Kumaraswamy as the new chief minister. The BJP's gamble did not pay off, rather it backfired. On the one hand, it showed once again the scant respect that the saffron party – not unlike the Congress, particularly under Indira Gandhi – had for institu-

5. For an historical account of the basis of the proposal, see Gauri Lankesh, 'Making Sense of the Lingayat vs Veerashaiva Debate', *The Wire*, 8 August 2017.

6. James Manor, 'The Election Outlook in Karnataka', *Economic and Political Weekly*, Vol. 52, No. 5, 3 February 2018.

7. 'Karnataka issue fuels anti-BJP anger across party lines in southern states', *Live Mint*, 19 May 2018.

8. 'The Daily Fix: Why did the Karnataka governor give the BJP 15 whole days to prove its majority?', *scroll.in*, 18 May 2018.

9. A «floor test» is a constitutional mechanism under which a chief minister is asked by the governor of the state to prove to have the support of the majority of MLAs by moving a vote of confidence.

tional norms, and the degree to which it managed to politicise supposedly independent authorities like the governors. On the other hand, the attempt to prevent the Congress-JD(S) from forming a government sent a chilling message to other regional parties. This in turn gave some impetus to attempts to form a broad constellation of alliances in different states, with the objective of preventing the BJP from retaining power at the national level in 2019. In fact, several opposition leaders attended the swearing-in ceremony of Kumaraswamy.[10]

In the Hindi belt, the contest between the Congress and the BJP ended with a clear victory for the Congress, which secured all three states that went to polls: Rajasthan, Chhattisgarh and Madhya Pradesh. All three were formerly governed by the BJP (the latter two for three consecutive terms). Tables 3, 4 and 5 show the detailed results.

Table 3 – Chhattisgarh election results					
Alliance	**Party**	**Seats won**	**Seat change**	**Vote share**	**Vote Swing**
-	INC	68	+29	43%	+2.57
-	BJP	15	-34	33%	-8.04
BSP+JCC (J)	BSP	2	+1	3.9%	-0.37
	JCC(J)	5	NA	7.6%	NA
-	Others	0	NA	12.5%	NA
Total		90		100	
Legend: BSP: Bahujan Samaj Party; JCC (J): Janta Congress Chhattisgarh (J). Source: Election Commission of India					

Table 4 – Madhya Pradesh election results					
Alliance	**Party**	**Seats won**	**Seat change**	**Vote share**	**Vote Swing**
-	INC	114	+56	40.9%	+4.11
-	BJP	109	-56	41%	-4.19
-	BSP	2	-2	5%	-1.42
-	Others	5	NA	13.1%	NA
Total		230		100	
Legend: SP: Samajwadi Party Source: Election Commission of India					

10. 'Opposition's massive show of unity steals limelight at Kumaraswamy's swearing-in', *India Today*, 23 May 2018.

Table 5 – Rajasthan election results					
Alliance	Party	Seats won	Seat change	Vote share	Vote Swing
-	INC	99	+78	39.3%	+6.23
-	BJP	73	-90	38.8%	-6.37
-	BSP	6	+3	4%	+0.63
-	Others	21	NA	17.9	NA
Total		199		100	
Source: Election Commission of India					

Despite the fact that the results in the three Hindi belt states were largely due to local factors – in particular, anti-incumbency sentiments – they nevertheless were characterised by a few common elements. First, there was quite a significant swing of votes away from the BJP (compared to the 2013 state elections), ranging from 8% in Chhattisgarh to 4% in Madhya Pradesh. The loss of votes was even sharper if compared to the results of the 2014 general elections in the three states, with the BJP losing as many as 15.7% in Chhattisgarh, 14% in Madhya Pradesh, and 12.1% in Rajasthan. In 2014, the BJP won 62 out of 65 seats in these three states. If the results of the 2019 general election are along the lines of those of the 2018 state elections – and, historically, in these states the results of national and state elections tend to coincide – the BJP's seat tally could be halved.[11] However, the exceptionally high vote share of the BJP in these three states in 2014 also suggests that the «Modi factor» had been an important one in determining the results of the national polls. The erosion of the BJP's support might well be due to anti-incumbency feelings against the state governments, rather than to declining popularity of the prime minister.

Second, it is clear that the rural distress that has engulfed the country in the last few years – bringing hundreds of thousands of farmers onto the streets[12] - had a profound impact on the election results. In fact, the BJP's strike rates (defined as the proportion of seats that the party won among those it contested) dropped dramatically in rural areas, particularly in those with a high ratio of farmers.[13] This is a major problem for the BJP, considering that not only 342 out of 543 seats of the Lok Sabha represent predominantly rural constituencies;[14] but that, in 2017, the BJP suffered significant

11. 'How this translates to Lok Sabha: BJP tally down 62 to 31 in three states', *Indian Express*, 12 December 2018.
12. Arjun Srinivas, 'Why farmer protests may be the new normal', *Livemint*, 19 July 2018.
13. Neelanjan Sircar, 'BJP strike rate drops in both rural, urban areas', *Hindustan Times*, 12 December 2018.
14. According to the definition of the Election Commission.

losses in rural areas of Gujarat as well.[15] This suggests that farmer distress could become a significant nation-wide factor in the coming 2019 general elections, seriously compromising the BJP's electoral prospects.

Third, the results in the Hindi belt sent contrasting messages in terms of the electorate's attitude towards secularism. On the one hand, the BJP deployed as one of its lead campaigners Uttar Pradesh's Chief Minister and ultra-radical Hindu priest Yogi Adityanath. His violent anti-Muslim rhetoric and hard Hindutva message, however, did not seem to win many votes across the Hindi belt, the region where this kind of politics is supposed to reap the highest rewards.[16] Coupled with the disappointing results from Bihar in 2015 – where Modi and Shah had explicitly tried to polarise the electorate along communal lines[17] – it seems that adopting a hard Hindutva agenda might not be the wisest strategy for the BJP after all. On the other hand, however, it is also clear that one of the pillars of the Congress's strategy in the last few years has been to make every effort to disprove the idea that it is a party that appeases Muslims at the expense of Hindus, as the BJP's propaganda machine claims. Not only has Rahul Gandhi visited numerous temples, swamis and godmen in what amounts to a very public display of his religiosity,[18] but the Congress party made several electoral promises favouring Hindu religious sensibilities, which were hardly distinguishable from the BJP's. These promises included instituting cow shelters in every village of Madhya Pradesh[19] and promising additional funds to existing cow refuges in Rajasthan.[20] Thus the voters in the three Hindi belt states were being asked to choose between a hard and a soft Hindutva agenda.

The electoral results in the three Hindi belt states have two main implications for national politics. The first, by showing that the BJP's popularity in the Hindi belt was declining, they questioned the BJP's ability to remain in power after 2019. The second implication is that the Congress party and its leader, Rahul Gandhi, emerged as credible players ahead of the 2019 elections. This will increase the party's leverage when seat-sharing arrangements are negotiated and will increase the likelihood that regional parties look at the Grand Old Party as a possible partner. Additionally, a number of regional parties allied with the BJP have left the alliance over the last few months of 2018, including Andhra Pradesh's Telugu Desam Par-

15. Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China'.

16. Shaktar Gupta, 'Elevating Yogi Adityanath is becoming PM Modi's biggest blunder now, not demonetisation', *The Print*, 10 December 2018.

17. James Manor, 'How the BJP Lost Bihar', *Economic and Political Weekly*, Vol. 51, No. 10, 5 March 2016.

18. Suhas Palshikar, 'Temple entry, and exit', *Indian Express*, 30 November 2018.

19. 'It's cow politics all the way as BJP, Congress engage in one-upmanship in poll-bound Madhya Pradesh', *scroll.in*, 2 October 2018.

20. 'Rajasthan Elections: Farmers, Cows and Sanskrit the Focus of Congress, BJP Manifestos', *The Wire*, 30 November 2018.

ty[21] and Assam's Asom Gana Parishad.[22] Other allies have either distanced themselves from the BJP or are considering leaving the alliance, mainly because of the BJP's ultra-centralised decision-making process that leaves little room for allies to have a voice.[23] Conversely, the «humility» shown by the Congress in Karnataka – where it offered the chief ministership to a junior coalition partner – might help dispel the well-established notion that the Congress believes it has a natural right to be India's governing party and would not support regional leaders as prime minister. In fact, press reports indicated that the Congress was indeed prepared to support the likes of Mayawati or Mamata Banerjee as prime minister, were this necessary to keep the BJP out of power.[24]

2.2. Erosion of institutions

Since the election of Modi in 2014, India's institutions have been steadily and systematically eroded. According to the *Varieties of Democracy Report 2018*, there have been growing signs of democratic erosion since 2014, which has resulted in a sharp decline of all the indicators used to measure the health of India's democracy.[25] In 2018, the trend accelerated.

As noted above, in the year under review the low level but pervasive violence against Muslims and Christians continued, accompanied by the government's pursuit of an increasingly radical *Hindutva* agenda. In particular, since Modi came to power, the rule of law has been undermined by Hindu extremists attacking and killing people, mainly Muslims, accused of consuming or trading cows.[26] Those responsible for these murders have in some cases enjoyed full support from Cabinet ministers or acted in collaboration with the

21. 'TDP leaves NDA amid dissent within, Chandrababu Naidu says PM has no time for allies', *Indian Express*, 17 March 2018.

22. 'AGP quits NDA as Cabinet approves citizenship bill', *Times of India*, 8 January 2019.

23. 'As allies abandon ship, is NDA also on the verge of collapse?', *National Herald India*, 19 December 2018.

24. 'Congress is «Open to Backing Mamata Banerjee or Mayawati as PM in 2019»', *The Wire*, 24 July 2018.

25. *Democracy for All? V-Dem Annual Report 2018*, Gothenburg: V-Dem Institute, 2018. Available at: https://www.v-dem.net/media/filer_public/3f/19/3f19efc9-e25f-4356-b159-b5c0ec894115/v-dem_democracy_report_2018.pdf

26. Rashmi Venkatesan, 'Laws Prohibiting Cow Slaughter Are Creating Both Vigilantes and Victims', *The Wire*, 15 September 2017; Zeba Siddiqui, Krishna N. Das, Tommy Wilkes & Tom Lasseter, 'Emboldened by Modi's ascent, India's cow vigilantes deny Muslims their livelihood', *Reuters*, 6 November 2017; Amy Kazmin, *Modi's India: the high cost of protecting holy cows*, *Financial Times*, 22 November 2017; Delna Abraham & Ojaswi Rao, '84% Dead In Cow-Related Violence Since 2010 Are Muslim; 97% Attacks After 2014', *IndiaSpend*, 28 June 2017 (Updated on 8 December 2017); Rana Ayyub, 'Mobs are killing Muslims in India. Why is no one stopping them?', *The Guardian*, 23 July 2018.

police.[27] Christians have also been subjected to intimidation and violence,[28] a trend which began with Modi's conquest of the national premiership.[29]

Freedom of expression has diminished and dissenting voices have been silenced, sometimes through murder – as in the case of journalist Gauri Lankesh and author Malleshappa Kalburgi – sometimes through arrests of dubious legality, or threats by groups affiliated to or supported by the ruling party.[30]

The office of the governor has been politicised, as evident from the drama that followed the Karnataka elections. Parliament has been repeatedly reduced to a rubber-stamp institution, as when, in March 2018, it passed the budget without discussion[31] or when Lok Sabha Speaker Sumitra Mahajan (of the BJP) disallowed for over a month the discussion of a no-confidence motion tabled by the opposition.[32]

Even the Army – historically a non-partisan institution – has assumed a controversial role when its chief – appointed by Modi's government in violation of the convention that the most senior general succeeds the retiring one – backed the government on sensitive issues, clearly «overstep[ing] into the political arena».[33]

The Supreme Court – one of the most respected institutions of the country – suffered a crisis of credibility when four judges held an unprecedented press conference accusing the Chief Justice Dipak Misra – considered to be close to Modi – of discretionarily assigning politically sensitive cases to specific judges.[34]

The Electoral Commission (EC) had hardly recovered the credibility that it lost in 2017, when it controversially postponed the announcement of the Gujarat election in what was widely seen as a favour to the ruling BJP. Conversely, in January 2018, the EC endorsed the newly introduced

27. Christophe Jaffrelot, 'Hindu Rashtra, de facto', *Indian Express*, 12 August 2018.

28. E.g. Divya Trivedi, 'Attacks On Christians. Church As Target', *Frontline*, 7 June 2018.

29. E.g. Michelguglielmo Torri & Diego Maiorano, 'India 2015: The uncertain record of the Modi government, p. 376-382, and Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', pp. 269-70, plus the sources quoted in these two articles. On increasing anti-Christian violence see Sarbeswar Sahoo, *Pentecostalism and Politics of Conversion in India*, New Delhi: Cambridge University Press, 2018.

30. Mahtab Alam & Neha Mehrotra, 'There is No Disputing the «Emergency-Like» Situation in the Country', *The Wire*, 29 July 2018.

31. Hartosh Singh Bal, 'India's Embattled Democracy', *The New York Times*, 30 march 2018.

32. P.D.T. Achary, 'The Speaker Is Wrong to Not Allow No-Confidence Move to Be Tabled', *The Wire*, 26 march 2018.

33. Suhas Palshikar, 'A general overstepping', *Indian Express*, 7 March 2018.

34. Madhav Khosla, 'The Supreme Court's reputation has been spiralling downward even before CJI Dipak Misra', *The Print*, 26 April 2018

electoral bonds[35] as a «step in the right direction» only months after having publicly denounced them as a measure that would further compromise electoral funding transparency.[36]

Perhaps the two institutions that faced the most blatant attacks to their independence were the Central Bureau of Investigation (CBI) and the Reserve Bank of India (RBI). The CBI is not known for its independence from the political executive but the crisis that it went through during 2018 was unprecedented.

In October 2018, the government sent CBI Director Alok Verma and the organisation's number 2, Special Director Rakesh Asthana, on leave. This was the culmination of a tug-of-war within India's premier investigative agency that started when the government, despite Verma's objections, brought Asthana into the CBI. The latter, an Indian Police Service Gujarat cadre who is said to be close to Prime Minister Modi,[37] had filed a series of corruption accusations against Verma, who in turn had opened a file on Asthana, on the basis of the accusations of a businessman, Satish Sana, who claimed to have paid him a bribe to drop an investigation.

While both officials were on leave the government appointed an interim Director, Nageswara Rao, whose first orders were to transfer Verma's closest collaborators (most of whom were investigating Asthana).[38] The sudden move also brought to a halt a number of cases on which Verma was working. Two of them were particularly sensitive from a political point of view. One was on alleged irregularities in the so-called Rafale Deal. The Indian and French governments agreed in 2012 (two years before Modi became prime minister) to purchase 126 Rafale jets. However, soon after his election, Modi announced that a new deal had been reached with the French for the purchase of only 36 jets (at a much higher per-unit price).[39] Crucially, the partner would not be Hindustan Aeronautics Ltd (a publicly-owned enterprise) as per the previous deal, but Reliance Defence, a private company registered just two weeks prior to the Hollande-Modi meeting and which had no expertise in aircraft manufacturing. This led the opposi-

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35. An electoral bond is a bank note payable to the bearer on demand and free of interest. It can be purchased by any citizen of India with a verified bank account (or KYC-compliant account) or by a body incorporated in India and can be donated to a party of choice. The electoral bond can then be cashed in via the party's verified account within 15 days. 'The Hindu Explains: What is an electoral bond and how do we get one?', *The Hindu*, 4 January 2018.

36. Milan Vaishnav, 'India's elite institutions are facing a credibility crisis', *Livemint*, 20 February 2018.

37. 'Scroll Explainer: Why exactly is the CBI raiding the CBI?', *scroll.in*, 23 October 2018.

38. 'Nageshwar Rao is CBI interim chief, shakes up agency amid corruption probe', *Hindustan Times*, 24 October 2018.

39. 'Modi's decision to buy 36 Rafales shot the price of each jet up by 41%', *The Hindu*, 18 January 2019.

tion to accuse Modi of favouring business magnate Anil Ambani (the owner of Reliance Defence), considered to be very close to the prime minister, who had accompanied him to France when the deal was announced. The controversy was a huge embarrassment for the government and has been repeatedly used by Rahul Gandhi to counter the government's narrative that it has been free of any large-scale corruption scandal during its term.

The second sensitive file was on the alleged role of Bhaskar Khulbe, secretary to the prime minister and one of Modi's most trusted aides, in a case of the allocation of coal mines when Khulbe was an advisor to the West Bengal government. According to an investigative report by Rohini Singh, Asthana had pushed to name Khulbe as a witness, rather than stand accused.[40]

The nature of the files being investigated by CBI Director Verma when he was ousted caused a controversy, particularly because Verma had a fixed tenure of two years (due to expire in January 2019) and the government could not legally remove him. In fact, on 7 January 2019, the Supreme Court reinstated Verma, who was however removed again the following day by a high-powered selection panel chaired by Narendra Modi and including Congress leader Mallikarjun Kharge, as representative of the opposition and Supreme Court Justice, A. K. Sikri, delegated by Chief Justice of India Ranjan Gogoi. The panel – ostensibly basing its decision on the results of the Central Vigilance Commission (CVC)[41] enquiry into Verma's supposed procedural irregularities – voted in favour of removing Verma with a 2 to 1 majority, overruling Kharge's objections. The representative of the opposition argued, in a dissenting note, that six of the 10 charges levelled against Mr. Verma were «unsubstantiated/false.» He also complained that Verma should have been given the opportunity to appear before the committee and represent his case.[42]

Justice A. K. Patnaik, the retired Supreme Court judge who had been asked by the Supreme Court to supervise the CVC investigation on Alok Verma, on 11 January – namely the day after the decision by the Modi-led selection panel – said there was «no evidence of corruption» against Verma, and «what the CVC says cannot be the final word». He went on to criticise as «very, very hasty» the decision taken by the Modi-led panel.[43]

40. 'Behind Civil War in CBI, Concern Over Fate of Top PMO Official Linked to Coal Probe', *The Wire*, 24 October 2018.

41. The CVC is an apex body for exercising general superintendence and control over vigilance administration, aimed at preventing or suppressing corruption. It is headed by the prime minister, the home minister and the leader of the opposition.

42. 'Prime Minister-led panel removes Alok Verma as CBI Director, Rao back in charge', *The Hindu*, 10 January 2019; 'Alok Verma removed as CBI chief by Modi-led panel, made fire services chief', *India Today*, 11 January 2019. On the whole Alok Verma imbroglio see: Ajoy Ashirwad Mahaprashasta & M. K. Venu, 'Exclusive: CBI Director Alok Verma's Responses to CVC Put Modi Government in the Dock', *The Wire*, 17 November 2018.

43. 'No evidence of corruption, decision of PM-led panel on Alok Verma very hasty: SC's monitor', *The Indian Express*, 11 January 2019.

The decision became even more controversial when The Print broke the story that Justice Sikri, whose vote had been crucial, had been offered by the government the prestigious post of president in the London-based Commonwealth Secretariat Arbitral Tribunal (CSAT).[44]

The whole episode showed not only the influence of the Prime Minister's Office (PMO) on the functioning of the country's premier (and supposedly independent) investigative agency, but it also signalled the lengths the government would go to in order to remove officials who choose to exercise their independence. The government did not hesitate to remove Verma following a procedure that the Supreme Court found not to be legal; and, after Verma was reinstated, it managed to remove him again within a day, thanks to the support of a Supreme Court Justice – supposedly a guarantee of independence – whose impartiality should at least be questioned.

Another prominent example of the government's aversion towards independent institutions was the serious battle between the Finance Ministry and the RBI that unfolded during 2018 and that culminated in December with the resignation of the RBI Governor, Urjit Patel.[45] Patel was the second governor to leave the RBI during Modi's regime – Raghuram Rajan had decided not to stay for a second term as governor in September 2016.

Four issues were at the centre of the disagreement between the government and the RBI. First, the government inducted into the RBI Board Swaminathan Gurumurthy, who is mostly known as a RSS-affiliated ideologue and, many believe, one of the minds behind the demonetisation of November 2016.[46] This was seen by many as an attempt by the government to have its own «eyes and ears» inside the RBI Board.

Second, the RBI had restricted the lending capacity of some public sector banks, particularly those exposed to own non-performing assets, and of non-banking finance companies. The government did not welcome this in an election year, as the RBI decision limited the amount of liquidity in the economy and restricted the flow of credit, especially towards small and medium enterprises[47] – already hard hit by the demonetisation and the introduction of the Goods and Services Tax.[48]

Third, the government proposed to set up a parallel regulatory agency (the Payment Regulatory Board) that would diminish the RBI's author-

44. 'Justice Sikri, whose vote decided Alok Verma's fate, gets Modi govt nod for plum posting', *The Print*, 13 January 2019. Justice Sikri later declared that he will not accept the post.

45. 'Urjit Patel resigns as RBI Governor', *Economic Times*, 11 December 2018.

46. 'The Importance and Unimportance of S. Gurumurthy', *The Wire*, 7 October 2017.

47. Vinod Rai, 'The RBI versus the Government: Much at Stake', *ISAS Brief No. 614*, Singapore: Institute of South Asian Studies, 14 November 2018.

48. Michelguglielmo Torri, 'India 2017: Still no *achhe din* (good days) for the economy', pp. 291-308.

ity over financial intermediation and to which RBI Governor Urjit Patel strongly objected.[49]

Fourth, the Finance Ministry pushed to receive higher dividends from the Bank, which preferred instead to use surpluses to build up reserves.[50]

While disagreement between the Finance Ministry and the RBI is not new, two factors contributed to the escalation of tension. The first was that, usually, disagreements are reconciled behind closed doors, and the current crisis took place in the public domain; RBI Deputy Governor Viral Acharya warned the government that undermining the Banks' independence would have « catastrophic» consequences – an unusually strong statement.[51] The second factor to escalate tension was the government's threat to invoke Section 7 of the RBI Act, a provision that allows the government to direct the Bank to pursue a certain policy «in the public interest». This provision, never previously used, has contributed to a significant extent to the RBI's reputation as an independent institution.[52] Clearly, Patel preferred to resign rather than follow the diktat of the government and implement decisions which he disagreed with.

While none of these episodes represented a deadly blow to India's democracy, it is clear that added together, they did represent a significant erosion of India's institutions. As political scientists Steven Levitsky and Daniel Ziblatt argue, democracies in the 21st century rarely die because of a coup; rather, they crumble largely at the hands of legitimately elected leaders who, by attacking democratic institutions, slowly but steadily reduce democratic processes to little more than a façade.[53]

3. *An economically shining 2018 …*

In 2018 the Indian economy appeared to be on an upward trend, which had begun the previous solar year with the second quarter (Q2) of the financial year 2017-2018 (July-September 2017). The GDP quarterly growth (year-on-year) was then 6.3% against 5.7% in the previous quarter. In the last quarter of 2017 – namely Q3 of 2017-18 – GDP growth accelerated to 7.2%. This was followed by a 7.7% and 8.2% GDP growth in January-March

49. 'Govt panel recommends setting up an independent Payments Regulatory Board', *The Hindu Business Line*, 18 September 2018.

50. Duvuri Subbarao, 'Ferment at the Reserve Bank of India: Resetting the Relationship with the Government', *ISAS Brief No. 636*, Singapore: Institute of South Asian Studies, 22 January 2019.

51. 'Modi government in public spat with Reserve Bank of India', *Financial Times*, 30 October 2018.

52. 'What is Section 7 and why it is being seen as an extreme step against the RBI', *Economic Times*, 31 October 2018.

53. Steven Levitsky & Daniel Ziblatt, *How Democracies Die*, London: Penguin, 2018.

and April-June 2018 respectively. Finally, in July-September – the last quarter for which data were available at the closing of this article – GDP growth, although slower than in the previous quarter – clocked a respectable 7.1%. Finally, in a report released on 8 January 2019, the World Bank forecast the GDP rate of growth for the whole financial year 2018-19 as equal to 7.3%.[54]

Table 6: India - Gross Domestic Product (GDP) during the Modi years			
Quarterly YoY			Yearly
Quarter	Actual	Forecast	
Q1 2014-15 (Apr.-June 2014)	5.7%	5.3%	7.2% (actual)
Q2 2014-15 (Jul.-Sept. 2014)	5.3%	5.1%	
Q3 2014-15 (Oct.-Dec. 2014)	7.5%	5.5%	
Q4 2014-15 (Jan.-Mar. 2015)	7.5%	7.3%	
Q1 2015-16 (Apr.-Jun. 2015)	7.0%	7.4%	7.93% (actual)
Q2 2015-16 (Jul.-Sept. 2015)	7.4%	7.3%	
Q3 2015-16 (Oct.-Dec. 2015)	7.3%	7.3%	
Q4 2015-16 (Jan.-Mar. 2016)	7.9%	7.5%	
Q1 2016-17 (Apr.-Jun. 2016)	7.1%	7.6%	7.11% (actual)
Q2 2016-17 (Jul.-Sept. 2016)	7.3%	7.5%	
Q3 2016-17 (Oct.-Dec. 2016)	7.0%	6.4%	
Q4 2016-17 (Jan.-Mar. 2017)	6.1%	7.1%	
Q1 2017-18 (Apr.-Jun. 2017)	5.7%	6.6%	6.6% (estimate)
Q2 2017-18 (July-Sept. 2017)	6.3%	6.4%	
Q3 2017-18 (Oct.-Dec. 2017)	7.2%	6.9%	
Q4 2017-18 (Jan.-Mar. 2018)	7.7%	7.3%	
Q1 2018-19 (Apr.-Jun. 2018)	8.2%	7.6%	7.3% (forecast for the whole financial year)
Q2 2018-19 (Jul.-Sept.2018)	7.1%	7.4%	

Source: 'India Gross Domestic Product (GDP) Quarterly YoY', *Investing.com*, last release available 30 November 2018
(https://www.investing.com/economic-calendar/indian-gdp-quarterly-434);
Radikha Goel, 'Current Indian Economic Overview', *Anakeen*, 28 September 2018; sundry articles from the Indian press.

54. Geeta Mohan, 'India fastest growing major economy in 2018-19, will grow by 7.3%: World Bank | 10 points', *India Today*, 9 January 2019. The sources for the other data are the same as table 6.

The above figures were not the only good news on the economic front. In June it became known that during the solar year 2018 India's GDP rate of growth (more than 7%) had overtaken that of China, which remained stationary at 6.8%.[55] This made India the fastest-growing major world economy.

Moreover, India had lost the dubious distinction of being the country hosting the largest number of people living in extreme poverty, shifting two places behind Nigeria and the Democratic Republic of Congo.[56]

There was more positive news the following month when it became known that India had overtaken France as the world's sixth largest economy.[57] Given India's GDP high rate of growth and the slowing down of the United Kingdom's, which as a consequence of *Brexit* was projected to drastically contract in the next years, India looks set to overcome the United Kingdom and become the fifth largest world economy.

In September the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI) presented their findings on multidimensional poverty in the world.[58] The report measured poverty on the basis of a Multidimensional Poverty Index, which takes into account not only income but nine other indicators, including health, education and living standards. According to the 2018 report, India had «made momentous progress in reducing multidimensional poverty.» In fact the incidence of multidimensional poverty «was almost halved between 2005/06 and 2015/16, decreasing to 27.5% [from 54.7%]». This progress had been made possible in particular by «faster progress among the poorest» and resulted in the exit from poverty of 271 million. As highlighted by the report, that was «a truly massive gain».[59]

Finally, in October, the latest edition of the World Economic Forum's global competitiveness saw India classified as the 58th most competitive economy, up by five places from 2017, a progress that represented «the largest gain among G20 economies».[60] This was closely followed by the lat-

55. 'India's Economy Beats China', *Forbes*, 14 June 2018.

56. 'Nigeria overtakes India in extreme poverty ranking', *CNN*, 26 June 2018.

57. 'India Overtakes France As World's Sixth Largest Economy: World Bank', *Bloomberg*, 11 July 2018.

58. 'UNDP report lauds India's strides in reducing poverty in past decade', *The Indian Express*, 22 September 2018.

59. *Global MPI 2018 Report*, chapter 2: *MPI in India, A Case Study*, p. 23. The conclusions of the report, however, were criticised because of the data on which it was based. According to well-known economist Jayati Ghosh: «The bigger problem is that we don't really have too much of this data after 2011, 12. So I really don't know how the UNDP has managed to give us information for the last ten years». See Jerry-Lynn Scofield interview with Jayati Ghosh in 'Is India on Its Way Out of Poverty?', *Naked Capitalism*, 7 October 2018.

60. 'India is 58th most competitive economy in WEF index', *Business Line*, 17 October 2018.

est *Ease of doing business* ranking by the World Bank, which shifted India's position upward to 77, from 100 in 2017 and 130 in 2016.[61]

3.1. … *which shines on the basis of doubtful figures* …

Once the above-quoted exceptional statistics have been highlighted, and before dealing with the problems that they may conceal, a word of caution is in order on the figures themselves. The first is that the Indian economy is divided into a formal and an informal sector. Whereas the data related to the formal sector are gathered and analysed any single financial year, those related to the informal sector take up to two or three years to be gathered. Meanwhile informal sector data are simply inferred with reference to those available in the formal sector. This way of proceeding has its own statistical and economic logic, and, in normal times, is acceptable. The point is, however, that 2017, because of demonetisation and GST introduction, was far from being a normal year.[62] Demonetisation in particular adversely impacted mainly on the informal sector – completely based on cash – as shown by an impressive volume of anecdotal evidence. Falling back on the data available for the formal sector in order to infer the growth of the informal sector is therefore rather problematic. This is not a small matter as, according to generally accepted estimates, the informal sector is the bigger part of the Indian economy, where some 90% of the Indian labour-force is active, where most new jobs have hitherto been created, and from where almost 50% of the national income is derived. This simply means that, before the actual figures on the evolution of the informal sector from 2017 onwards become available, any evaluation of the growth rate of the Indian GDP is basically unreliable. Estimates by international organisations such as the World Bank, the Asian Development Bank and the International Monetary Fund are only partially more reliable, because they are ultimately based on data provided by the Indian government.

3.2. *The «back series data» imbroglio*

In an interview published in May 2018, well-known economist Jan Drèze claimed that the central government had turned «into a propaganda

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61. 'World Bank's ease of doing business ranking: India jumps 23 notches to 77th place, improves in 6 out of 10 indices', *FirstPost*, 31 October 2018.

62. For a synthetic discussion of the impact of demonetisation and GST on the Indian economy, see Michelguglielmo Torri, 'India 2017: Still no *achhe din* (good days) for the economy', *Asia Maior 2017*, pp. 291-308. For a more in-depth analysis of the introduction of GST and its results, see Govind Bhattacharjee & Debasis Bhattacharya, *GST and Its Aftermath. Is Consumer Really the King?*, New Delhi: Sage, 2018.

machine»; this made «hard to guess whether the statistical system has retained its usual independence.»[63]

In fact the problem had two different aspects: one was that data furnished by the government appeared doubtful; another was that, particularly in the case of the most politically sensitive data, sometimes figures were not made available, as in the case of data on demonetisation-related death and farmers' suicides, whose publication continues to be delayed.[64]

The unreliability of government-produced data became particularly evident in relation to the «back series data» imbroglio, which entered the public domain between July and November 2018. As this latter case is emblematic of the prevailing situation regarding the trustworthiness of Indian statics, it is necessary to dwell on it.

It is a well-known fact that India's Central Statistics Office (CSO) changed the methodology by which India's GDP is calculated in February 2014. This has made difficult the comparison of the GDP rate of growth before and since 2014-15.

Up to the year under review, the Modi government had not released the «back series data», showing, according to the new methodology, the actual rate of growth of the Indian economy prior to the financial year 2014-15, namely before Modi's rise to power. Of course, these data could not but be politically sensitive, as they would allow an easy and quick comparison between the Modi years and the years when the Congress-dominated United Progressive Alliance (UPA) governments had been in power (2004-14). It is worth stressing that the comparison of the non-comparable data for the period before and since 2014-15 – glibly made by many pro-Modi politicians and commentators – conveyed the impression of a spectacular rise in the GDP rate of growth that coincided with the beginning of Narendra Modi's prime ministership. That interpretation had been contested by some analysts (including the authors of this essay). Nevertheless the fact remains that any contestation was weakened by the apparent consistency of the official data.

Eventually, in 2018, the National Statistical Commission, under the aegis of the Ministry of Statistics and Programme Implementation (MOPSI), published a report on 15 July analysing the back data since 1994-95 using the new methodology.[65] The report, published on the web, was discov-

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63. 'NREGA Will Fade Away, if Wages Continue to Stagnate: Economist Jean Dreze', *News18*, 1 May 2018.

64. Abhishek Dey, 'India has not published data on farmer suicides for the last two years', *Scroll.in*, 8 June 2018; Gaurav Vivek Bhatnagar, 'Two Years On, Modi Government Continues to Block Information on Demonetisation Deaths', *The Wire*, 8 November 2018.

65. Govt. Of India, *Report of the Coommittee [sic] on Real Sector Statistics. Constituted by National Statistical Commission*, 15 July 2018 (http://www.mospi.gov.in/sites/default/files/committee_reports/Report_committee_real_sector_statistics_25july18.pdf).

ered by the Indian press only in the second week of August. Only then did it become public knowledge that the economic record of both the first and second UPA governments compared favourably with that of Modi's.[66]

Soon after this news hit the headlines, and for the first time, the government reacted by adding a disclaimer on the web page hosting the report, stating that their figures were provisional. Subsequently, the entire report was moved to a different webpage, without any link to the new one.[67]

A few months later, on 28 November 2018, the CSO presented a new set of back data for the years 2005/06 to 2013/4. In other words, unsurprisingly, the revision had been done not for the same period analysed in the July estimate, but only for the years when the UPA had been in power, with the exclusion of the first year. According to this new data, the GDP rate of growth during those nine financial years was greatly inferior to the one shown in the July release, and, indeed, to the one prevailing in the Modi years. In fact, the new release downgraded the average rate of yearly GDP growth to 6.67%, lower than the 7.35% averaged in the four years ended 31 March 2018 under Modi's prime ministership.[68]

In an unusual move, the presentation of this new set of figures was co-chaired by Rajiv Kumar, the vice-chairman of NITI Aayog, an organisation that, according to its own definition, is «the premier policy 'Think Tank' of the Government of India», and is chaired by the prime minister himself. This, together with the fact that the revised set of figures favoured the government in charge, put a question mark on its reliability. All this conveyed the distinct impression that, as wryly noted by Bloomberg opinion columnist Andy Mukherjee, India's GDP growth rate was now «crucially» dependent «on which party was in power when the [economic] activity occurred – and under which party it was measured».[69] In fact several commentators noticed that the revised back series did not square with other sets of data. The same Bloomberg columnist, for example, pointed out that the «annual earnings growth of 500 of India's biggest companies averaged 11% between 2006 and 2014 [namely in the last eight years of the UPA governments], plunging to half that rate in the four years under Modi».[70] As he pointed out, this by itself did not invalidate the revised rates of growth; as claimed by the Minister of Finance himself, they were indeed the result of analyses based on data «more inclusive» and «far more representative of the Indian economy» than

66. E.g. 'New GDP «Back Series Data» Shows Economy Grew Faster Under UPA', *The Wire*, 17 August 2018.

67. 'Report, which calculated back series GDP data, republished with disclaimer on ministry website', *Financial Express*, 20 August 2018.

68. 'Govt. releases GDP data back series: growth rates for majority of previous 10 years of UPA regime lowered', *First Post*, 28 November 2018.

69. Andy Mukherjee, 'Opinion / The GDP debate: Rewriting history blurs India's economy's future', *Livemint*, 29 November 2018.

70. *Ibid.*

those on which the pre-2014 evaluations were based.[71] This might well be so, but there remained a major problem. According to several analysts, the post-2014 methodology, although more reliable from an abstract viewpoint than the previous one, took into account additional sets of variables for which the related databases *did not yet exist*, i.e. the years prior to 2014-15. [72]

In other words, the new figures accredited an extensive set of assumptions, made arbitrarily by the statisticians in charge of collating the back data. At the end of the day, the sets of data for the period before 2014-15 and those for the period beginning with 2014-15 remained non-comparable. Therefore the official attempt to compare them, together with the false start of July, appeared to be a politically motivated exercise in obfuscation. It is worth stressing that if the incumbent government did indeed elaborate the data of previous GDP rates of growth arbitrarily, what assurance would there be of the correctness of their handling of the post-2014 period?

It comes as no surprise that the estimates provided by various government organisations and independent sources (which were ultimately dependent on the data furnished by the Indian government) arrived at significantly divergent estimates concerning the GDP rate of growth for 2017-2018 and 2018-2019, as shown in the following table.

Table 7: India's GDP rate of growth for the years 2017-2018 and 2018-2019 according to various government and independent organisations

Organisations	2017-18	2018-19
NITI Aayog	6.9-7.0%	7.5%
Economy Survey 2016-17 (Finance Ministry)	6.75-7.50%	-
World Bank	7.0%	7.2%
International Monetary Fund (IMF)	6.7%	7.4%
Organisation for Economic Co-operation and Development (OECD)	6.7%	7.2%
Asian Development Bank (ADB)	7.0%	7.4%
Hong Kong and Shanghai Banking Corporation (HSBC)	6.0%	-
RBI (in 4th Bi-Monthly Monetary Policy)	6.7%	-
United Nations (UN, in May 2017)	7.1%	7.5%

Source: 'GDP Growth Rate of India in Current Financial Year (2017-18)', *Bankers Adda*, 26 October 2017 (https://www.bankersadda.com/2017/10/gdp-growth-rate-india-current-financial-year.html).

71. 'New GDP back series data more credible, says Arun Jaitley', *Livemint*, 29 November 2018.
72. See, e.g., V. Anantha Nageswara, according to whom «It is difficult to replicate the calculations [behind the revised set of back data] and verify the growth numbers because several assumptions lie behind the calculations.» 'Opinion/The elusive quest for growth and truth', *Livemint*, 3 December 2018.

3.3. The shadows behind the shining macroeconomic data

Doubts on the reliability of the economic data showing India's apparently impressive growth are strengthened by a very simple observation. If the rate of growth of India's GDP was so favourable, other key economic indicators ought to be characterised by analogous rates of growth. But for most of them this was not the case. Quite the contrary. The available data reveal: weak export growth;[73] declining rates of investment;[74] decreasing foreign direct investment (which in 2017-18 financial year «plummeted to a five-year low»[75]); a sharp decline in bank lending, ongoing for at least five years; [76] such a decline caused by the high volume of non-performing loans held by Indian banks;[77] high rates of unemployment;[78] a rise in the number of adults who claimed there were times when they did not have enough money to pay for food;[79] 78 of the largest Indian companies facing dissolution under the Indian Bankruptcy Code,[80] and finally, a deepening agrarian crisis accompanied by an increase in rural riots and protests.[81]

73. According to D.K. Srivastava, Chief Policy Advisor at EY India, «the contribution of net export growth to GDP has been zero or negative since the third quarter of 2016-17». 'YES, NO, IT'S COMPLICATED - Is the Indian economy on an upswing now?', *The Hindu*, 8 June 2018.

74. Mahesh Vyas, 'The long winter of new investments', *Centre for Monitoring Indian Economy*, 3 January 2019. The decline in new investment proposals had begun in Q1 2015-16 (April-June 2015).

75. Kamalika Ghosh, 'Numbers don't lie', *Quartz India*, 2 July 2018.

76. Ramana Ramaswamy, 'Is the Indian economy really that strong?', *The Hindu*, 19 April 2018.

77. «India's state-owned banks have a gargantuan Rs 13 trillion ($178 billion) in delinquent loans. At least $70 billion of these are "Non-Performing Assets" (NPAs), i.e., loans on which the banks have received no payment from borrowers for 90 days or more». Kranti Kumara, 'India seizes «shadow bank» to avert potential «catastrophic» impact on financial system', *World Socialist Web Site*, 20 October 2018.

78. Pragya Srivastava, 'Forget more jobs, employment fell in first 2 years of Modi government', *Financial Express*, 30 March 2018; Mahesh Vyas, 'Labour statistics disappoint in October: Unemployment rate rises to 6.9%', *Business Standard*, 5 November 2018.

79. «In 2017, the number of adults who said there were times in the past year when they did not have enough money to pay for food hit a high point of 37%, double the 18% who responded that way in 2012». Steve Crabtree, '«Indians» Life Ratings Depend on Which India they Live in', *Gallup World*, 30 August 2018.

80. Prem Shankar Jha, 'The «Indian Flu», or Why the Crash of the Economy Is Imminent', *The Wire*, 24 September 2018.

81. The ongoing agrarian crisis is too complex a phenomenon to be tackled here. The authors of this article have already briefly dealt on the origins of the crisis and the Modi government's (unsuccessful) attempts to deal with it in a previous article. See Michelguglielmo Torri & Diego Maiorano, 'India 2015: The uncertain record of the Modi government', *Asia Maior 2015*, pp. 351-357. For a first overview of the agrarian situation as it stood in the year under review, see *Green Paper on Farmers, Farming & Rural Economy 2018. 4 Years – 4 Budgets: What Has This Cen-*

Most of the above difficulties originated well before the beginning of the Modi government, but none of them had been resolved or even contained by it. The adverse impact of the two key economic reforms in 2017: demonetisation and the introduction of the Goods and Services Tax (GST) only served to exacerbate them and to continue the negative trend. The first reform was deeply flawed in its very conception, the second badly implemented, and their adverse effects on the Indian economy, in the year under review, was still very much in evidence.[82] Correspondingly, the problems created by the poor working of the IT portal used for filing GST returns and the lack of clarity about refunds were still unfavourably affecting exports.[83]

Even worse, independent enquiries showed that, irrespective of the actual rate of growth, an increasing share of the country's wealth was owned by the richest 10% of the population, and the majority of it by the richest 1%. According to an Oxfam report released in 2018, «the overall trends in inequality of consumption expenditure, income and wealth show that India is a high-inequality country, and among the most unequal in the

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tral Government Delivered? 30 January 2018 (http://www.esocialsciences.org/Articles/ShowPDF/A2018131121559_20.pdf). For a non-exhaustive listing of other sources on the agrarian crisis and the related problem of farmers' suicides see: K. Nagaraj, *Farmers' Suicides in India: Magnitudes, Trends And Spatial Patterns*, Madras: Madras Institute of Development Studies, March 2008 (also available at http://www.macroscan.org/anl/mar08/pdf/Farmers_Suicides.pdf); Sumit Chaturvedi, 'Land Reforms Fail: 5% of India's Farmers Control 32% of Land', *IndiaSpend*, 4 May 2016; Radhika Kapur, 'Progression of Agricultural Sector in India', *Acta Scientific Agriculture*, 2, 10, October 2018, p. 134; 'Sector-wise contribution of GDP of India', *Statistic Times*, 21 March 2017 (http://statisticstimes.com/economy/sectorwise-gdp-contribution-of-india.php); Ajay Dandekar & Sreedeep Bhattacharya, 'Lives in Debt. Narratives of Agrarian Distress and Farmer Suicides', *Economic & Political Weekly*, LII, 21, 27 May 2017, pp. 77-84; Barun S. Mitra, 'As Indian agriculture expands, farmers and reform prospects suffer', *GIS – Geopolitical Intelligence Service*, 31 January 2018.
For the dismal record of the Modi government in coping with the agrarian crisis see, e.g.: Vijoo Krishnan, 'Illusions of bounty', *Frontline*, 2 February 2018; Kirankumar Vissa, 'For India's Farmers, Budget 2018 Is Nothing but a Hoax', *The Wire*, 2 February 2018; Bestin Samuel, 'Will India Listen to Its Protesting Farmers?', *Fair Observer*, 13 December 2018; Harish Damodaran, 'The Cost+50% Swaminathan formula mirage', *The Indian Express*, 22 June 2017, and Kabir Agarwal, 'Why MSP at 1.5 Time Cost Is Another Empty Promise for Farmers'; Kabir Agarwal, 'Why MSP at 1.5 Time Cost Is Another Empty Promise for Farmers', *The Wire*, 4 February 2018; Zeenat Saberin, 'Why are Indian farmers protesting?', *Al Jazeera*, 5 June 2018; Soumik Dey, 'Growth rate of farmers' income halves in four years', *The Week*, 27 November 2018.

82. Mahesh Vyas, 'Demonetisation hit investment project completions', *Centre for Monitoring Indian Economy*, 2 January 2019.

83. 'Delay in GST refunds to exporters: Small businesses struggle for working capital', *Business Today*, 9 March 2018; 'What is causing delay in GST refunds to exporters?', *Business Today*, 4 June 2018; 'Refund mechanism still a pain point for exporters', *The Economic Times*, 2 July 2018; 'India's biggest ever tax reform hasn't kept its promise yet', *Quartz India*, 4 December 2018.

world.» [84] Furthermore, according to the Oxfam report, «the evidence from both primary and secondary sources of data strongly assert that the levels of inequality are not only high, but also rising over the last three decades.»[85]

The Oxfam report findings dovetailed with the findings included in two 2018 Credit Suisse reports on global wealth.[86] According to these reports, the richest 1% in India owned more than 50% of the country's wealth in 2017 and 2018, up from around 48% in 2007. India was one of the most unequal countries in the world, after Russia and before Brazil.[87]

3.4. The 2018-19 budget: the promises

The attempt to address many of the problems listed above appeared to be at the heart if not of the 2018-19 budget itself, at least of Finance Minister Arun Jaitley's «brisk and aggressive» budget presentation speech (1 February 2018).[88] The bulk of Jaitley's 110-minute speech «was devoted to addressing farm distress, the socially disenfranchised, affordable healthcare, improving education and encouraging the small-scale sector (accounting for 72 of the 165 paragraphs of the speech)».[89] Also, in an effort to appear close to the humbler sector of the electorate, Jaitley, in his speech, sometimes shifted from English to Hindi.

From the social viewpoint three measures appeared to be particularly important. The first was the decision «to keep MSP [Minimum Support Prices] for the all unannounced crops of kharif [autumn] at least at one and half times of their production cost.»[90] This, at least in theory, was supposed to bring about a substantial increase in the farmers' earnings and meet a request continuously made by their associations, at least from 2006 onwards. Also, this measure was coupled with the promise that the government would actively intervene in the agricultural market to insure that the farmers would get «full benefit of the announced MSP».[91]

The second key measure was, in Arun Jaitley's own words, the launching of «a flagship National Health Protection Scheme to cover over 10 crore [100 million] poor and vulnerable families (approximately 50 crore [500

84. Oxfam India, *Widening Gaps. India inequality report 2018*, p. 6.

85. *Ibid*.

86. Credit Suisse, *Global Wealth Report 2018*, and *Global Wealth Databook 2018*, both downloadable at https://www.credit-suisse.com/corporate/en/research/research-institute/global-wealth-report.html.

87. Credit Suisse, *Global Wealth Report 2018*, Figure 5: Share of top 1% of wealth holders since 2007, selected countries, % of wealth, p. 9.

88. Anil Padmanabhan, 'Budget 2018: It's all about politics, politics, politics', *Livemint*, 2 February 2018.

89. *Ibid*.

90. *Budget 2018-2019: Speech of Arun Jaitley Minister of Finance*, 1 February 2018 (https://www.indiabudget.gov.in/budget2018-2019/ub2018-19/bs/bs.pdf), § 13.

91. *Ibid*., § 14.

million] beneficiaries) providing coverage up to 5 lakh [500,000] rupees per family per year for secondary and tertiary care hospitalization.» Jaitley claimed that the newly announced National Health Protection Scheme would be «the world's largest government funded health care programme.»[92]

The third key measure aimed at promoting employment through three main provisions. The first was the allocation of 3794 crore [37,940 million] «for giving credit support, capital and interest subsidy and [favouring the introduction of] innovations» to Medium, Small and Micro Enterprises [MSME] – indicated by Jaitley as « a major engine of growth and employment in the country».[93] This was followed by the announcement that the government had decided to pay 12% of the wages of new employees in the formal sector for the next three years.[94] Also explicitly related to the necessity to promote job creation was another, rather surprising, budget provision. This was the decision, in «a calibrated departure from the underlying policy in the last two decades», to increase custom duties on items such as mobile phones, some of their parts and accessories and certain parts of televisions.[95] This was a rather surprising move considering the stand in favour of unhampered international free trade which had always characterised Narendra Modi's stand and which he had reiterated in his speech at Davos just a few days earlier.[96]

A further key feature of the budget was a (limited) slippage in the reduction of the fiscal deficit, mandated by the Fiscal Responsibility and Budget Management Act, 2003 (FRBMA). The fiscal deficit target for 2017-18 had been fixed at 3.2% of GDP, but had risen to 3.5%. In the 2018-19 budget that target was reduced to 3.3%.[97] However, doubts were expressed about the trustworthiness of the figures quoted by the finance minister. In fact, according to the estimate made by Central Statistics Office (CSO) just the day before the budget presentation speech, namely on 31 January, the fiscal deficit for 2017-18 «was likely to be 3.7% of GDP», rather than 3.5%.[98]

3.5. The 2018-19 budget: the reality behind the promises

The fair promises made in the budget speech – particularly those aimed at rural constituencies – were made necessary by the increasing political difficulties of the ruling party (see above). However, keeping those

92. *Ibid.*, § 59.
93. *Ibid.*, § 71.
94. *Ibid.*, § 79.
95. *Ibid.*, § 160.
96. 'India At Davos: PM Modi flags «protectionism» as a threat, says globalisation is shrinking', *Financial Express*, 23 January 2018.
97. *Ibid.*, § 141. See also The Wire Staff, 'Budget 2018: Jaitley Indicates Fiscal Slippage as Messaging Tilts towards Agriculture and Health', *The Wire*, 1 February 2018.
98. Devangshu Datta, 'India's budget 2018: fiscal deficit set to widen', *Asia Times*, 5 February 2018.

promises would be exceedingly difficult, as the government had very little money to fund them. That was the direct result of the economic policies implemented in 2017: demonetisation; the introduction of the goods and services taxes (GST); and the decision to inject Rs. 2.11 lakh crore into the banking sector over the next three years, to help the banks to confront the problem of the non-performing assets (NPA).[99] The judgement on each of these measures may vary – a totally irrational one in the case of demonetisation, a badly implemented one in the case of GST, a useful and necessary one in the case of the financial injection into the banking system – but the end result at least in the short term was the same: a shortfall in tax revenue.

This underlying lack of resources explains the two main measures highlighted in the budget speech. The first was the promise to increase the MSP for crops at least at one-and-a-half times the cost. Here the problem was that – soon to become apparent and later confirmed by an anonymous source in the ministry of agriculture[100] – the production cost on which the promise was based was not the production cost requested by the farmers' organisations, which were much lower. By making use of the production cost to which Jaitley made (implicit) reference, the promise of increasing the MSP prices had already been honoured. This, however, had not improved the dismal economic situation of the Indian farmer. Moreover, the related commitment that the government would actively intervene in the agricultural market to ensure that farmers would benefit from the announced MSP increase was not supported by any concrete measures to facilitate this happening.

The second key promise in the budget was the launching of the gigantic health insurance scheme. The scheme – soon dubbed by the press «Modicare» – closely followed the US model, being insurance-based. One commentator's assertion that the US model of health care was «a grand racketeering scheme that promotes collusion between private insurance and health care companies»,[101] was representative of the harsh criticism levelled by many at the government's choice, and based on the awareness that the European state-supported healthcare systems are far more efficient and cost-effective that the insurance-based US system. Some Indian critics of Modicare claimed that the policy aimed less at protecting the health of the Indian public than distributing money to insurance companies.[102] While this

99. Michelguglielmo Torri, 'India 2017: Still no *achhe din* (good days) for the economy'.

100. Kabir Agarwal, 'Why MSP at 1.5 Times Cost Is Another Empty Promise for Farmers', *The Wire*, 4 February 2018.

101. V. Sridhar, 'Spectacle sans substance', *Frontline*, 2 March 2018.

102. For example Jayati Ghosh claimed that Modicare was «"a scam that is going to benefit private healthcare companies" by providing healthcare insurance, based on the US model "instead of expanding a public health system which could actually provide [health care] much more cheaply, much more equitably and much more efficiently."». Jerry-Lynn Scofield interview with Jayati Ghosh in 'Is India on Its Way Out of Poverty?'.

accusation may have some merit, these authors believe that the reason for the Indian government's disconcerting and irrational choice lay elsewhere. It was the conjunction between the political need, in view of the coming 2019 general elections, to launch a grand project aimed at the poorest strata of the population, and the desperate lack of adequate state resources to fund it.

3.6. The economic development after the 2018-19 budget

The introduction of the 2018-19 budget was followed by a positive trend of macroeconomic indicators. However, the underlying problems of the economy remained. The two major ones were unemployment and the agrarian crisis.

In his 2018-19 budget presentation speech, Finance Minister Arun Jaitley claimed that: «Creating job opportunities and facilitating generation of employment» had been at the core of the government's policy-making, during «the last three years».[103] He went on to point out that «These measures have started showing results. An independent study conducted recently has shown that 70 lakh formal jobs will be created this year.»[104]

The «independent study» - based on privileged information not in the public domain[105] - was authored by Professor Pulak Ghosh of the Indian Institute of Management, Bangalore, and Dr Soumya Kanti Ghosh, group chief advisor of the State Bank of India in Mumbai.[106] Its conclusions were disputed by some economists associated with the Congress, and defended by the authors themselves, together with scholars leaning towards the BJP.[107] Without dwelling on the terms of a debate which is too technical to be satisfactorily summarised here, the gist is that the claims by Ghosh and Ghosh appeared to be so wildly optimistic as to «take one's breath away».[108] Indeed the sudden positive progress in job creation they claimed was taking place was such that, as wryly pointed out by former UPA Finance Minister Palaniappan Chidambaram: «Soon, the problem will not be joblessness but lack of jobseekers!»[109]

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103. *Budget 2018-2019: Speech of Arun Jaitley Minister of Finance*, § 77.

104. *Ibid.*, § 78.

105. As noted by P. Chidambaram, 'Across the aisle: P Chidambaram speaks about payroll jobs in India', *Financial Express*, 28 January 2018.

106. Pulak Ghosh & Soumya Kanti Ghosh, *Beginning of Payroll Reporting in India*, Indian Institute of Management, Bangalore & State Bank of India, Mumbai, 26 April 2018.

107. For an introduction to the debate, apart from the sources quoted in the two previous footnotes, see Praveen Chakravarty & Jairam Ramesh, 'A misleading story of job creation', *The Hindu*, 22 January 2018; S. Nitesh, 'IIM professor rebuts Jairam Ramesh's politically motivated article on the payroll study', *Opindia*, 23 January 2018; Aviral Virk, 'Will India Create 70 Lakh Jobs as Claimed by Arun Jaitley', *The Quint*, 6 February 2018.

108. P. Chidambaram, 'Across the aisle: P Chidambaram speaks about payroll jobs'.

109. *Ibid.*

The Ghosh & Ghosh optimistic conclusions appeared to find confirmation in a background report prepared by economists Surjit Bhalla and Tirthatanmoy Das for the Prime Minister's Economic Advisory Council. According to their report, released at the beginning of September, the net job creation in 2017 was 22.1 million, namely «much better than the creation of 11 million jobs between 2004-05 and 2011-12 [the first 8 years of UPA governments]».[110]

As in the case of the Ghosh & Ghosh report, the Bhalla and Das report was declared unsound. In particular it was pointed out that, in reaching its conclusions, it had relied «on cherry-picking of numbers or questionable assumptions».[111]

The Bhalla and Das report was closely followed by two other reports which, however, reached opposite conclusions. The first was the *State of Working India 2018*, released on 25 September 2018 by the Centre for Sustainable Employment of the Azim Premji University of Bengaluru. The report observed that a weaker employment-generation had become one of the distinguishing features of the Indian economy, pointing out that: «Since the 1990s, and particularly in the 2000s, GDP growth has accelerated to 7 per cent [per annum] but employment growth has slowed to 1 per cent or even less». This was a trend that, according to the report, had continued beyond 2015. Also, the Azim Premji University report, with a clear reference to the Bhalla and Das report, recalled that: «A recent study claims, to the contrary, that the economy generated 13 million new jobs in 2017». This was a conclusion that, according to the authors of the Azim Premji University report, had to be discarded, because: «Unfortunately, this optimistic conclusion depends on selective use of data and unjustified assumptions».[112]

The pessimistic conclusions of the Azim Premji University report were strengthened and revised by a report by the Centre for Monitoring Indian Economy, made public on 8 January 2019. The report, trenchantly entitled *11 million jobs lost in 2018*, stated in a key passage

> The count of unemployed has been increasing steadily. Over the year ended December 2018, it increased by a substantial 11 million. Correspondingly, the count of the employed is declining. In December 2018, an estimated 397 million were employed. This is nearly 11 million less than the employment estimate for December 2017.[113]

Summing up, even if one accepts Arun Jaitley's (doubtful) claim that the creation of job opportunities had been at the core of the Modi govern-

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110. Amit Basole & Anand Shrivastava, 'Did the Indian economy create nearly 13 million jobs in 2017?', *Hindustan Times*, 5 September 2018.

111. *Ibid*.

112. *Executive Summary. State of Working India 2018*, p. 17.

113. Mahesh Vyas, *11 million jobs lost in 2018*, Centre for Monitoring Indian Economy, 8 January 2019.

ment's policy-making, the dismal reality was that those policies had spectac-
ularly failed in reaching their stated objective.

If this was the job creation situation which persisted during the year
under review, the ongoing agrarian crisis was hardly better. The pro-farmer
promises reiterated during Jaitley's presentation speech of the 2018 budget
were either abandoned, or failed to result in any visible improvement of the
situation on the ground. As pointed out in a research note by the State Bank
of India (SBI), made public in early December 2018,

> we maintain that the agriculture sector needs an immediate price in-
> tervention and subsequent better price discovery for the farmers. Agri-
> culture prices continue to remain depressed and it is not clear how
> the minimum support price (MSP) may lift prices in the absence of an
> effective procurement scheme. The recent procurement scheme laun-
> ched by the Government seems have made a very sedate beginning.[114]

The responsibility for this state of affairs was abundantly clear to the
farmer organisations which, during the year under review, became increas-
ingly militant. As pointed out by Jai Kisan Andolan National Convenor
Avik Saha,

> Prime Minister Narendra Modi came out with this huge announce-
> ment that he has given a historic price rise to farmers […]
> It was actually a fake price. He did not give the price which they had
> mentioned in the Bharatiya Janata Party's election manifesto […].
> So, PM Modi gave an incomplete price rise and publicised it as if he
> has completed his job.
> And worse, there is no mechanism to ensure that farmers get that
> price.[115]

Farmer militancy, which had already become pronounced in 2017,[116]
in the year under review became increasingly organised, widespread and
active. The year witnessed at least four major protests: the farmers' «long
march» from Nashik to Mumbai in March; the coordinated protests in seven
different states between 1-10 June; the Haridwar-Delhi march 23 Septem-
ber – 2 October; and the Kisan Mukti March organised by the All India
Kisan Sangharsh Coordination Committee, a coalition of around 200 large
and small farmer groups which converged on New Delhi from more than
100 districts across India on 30 November. Not surprisingly, among others,
two requests stood out as crucial: fair and remunerative prices for agricul-
tural products and loan waiver, namely the cancellation of debts.

114. 'GDP growth disappointing, agriculture remains worrying factor, says
SBI', *Moneylife*, 3 December 2018.
115. 'Farmers don't believe Modi anymore', *Rediff.com*, 4 October 2018.
116. 'Interview: We are witnessing the beginning of a peasant rebellion in In-
dia, says Yogendra Yadav', *Scroll.in*, 4 October 2017.

4. Conclusion

The year under review was characterised by two developments at the political level and by two more at the economic level. At the political level, Narendra Modi's aura of invincibility was somewhat weakened by a string of electoral defeats at the state level. However, hopes that Modi was on the way out could be in vain: Indian elections have shown time and again that the political situation at the state level is not necessarily replicated at the national level.

The other key political development was the deterioration of Indian democracy, revealed by the very real and widespread violence against Muslims and Christians, by the sometimes deadly attacks on critics of Hindutva-inspired government policies and by the assault on the independency of key institutions such as the RBI and the CBI.

With regards the economic situation, the first development that must be stressed is the progress which at first sight characterised India's economy in the year under review, appeared to be based on dubious data. The second point worth mentioning is that, even if these data are taken at face value, the fact remains that the Indian economy is beset by problems, in particular an insufficient rate of job creation and an agrarian crisis. Neither problem had been generated by the policies of the Modi government, but the 2017 demonetisation and GST introduction certainly worsened them. More relevant from the limited standpoint of this article, the policies implemented by the Modi government seem incapable of remedying the problems besetting the economy. This is all the more damning if one considers that Modi was fully aware of their existence and relevance. A solution to them featured strongly among the promises that he and his party had freely made during the electoral campaign leading to the 2014 general elections.