



## Stuck with reforms PM blames the political divide

**I**N his Independence Day address, Prime Minister Manmohan Singh said that growth slowdown should be treated as a national security problem. He means just as during a national security crisis politicians unite, so should they do when growth falters since it affects the economic well-being of all. Given the politics of confrontation, such a call is unlikely to elicit a favourable response. The BJP has already dubbed the speech "uninspiring". There are those ideologically opposed to reforms such as the Left, parties unreasonably resisting anything the UPA proposes such as the Trinamool Congress and opportunistic fence-sitters like the Samajwadi Party and the Bahujan Samaj Party. The BJP, by and large, has a similar economic agenda but will not cooperate and let the UPA walk away with credit.

The Manmohan Singh government cannot push greater foreign direct investment in multi-brand retail, insurance and aviation. Important Bills, including those relating to the Lokpal and land acquisition, are pending in Parliament. But the Prime Minister can blame political opposition only up to a point. There are issues which do not require a political consensus and can be tackled by administrative orders. What prevents the government from faster environmental, mining and land acquisition clearances? Or speeding up highway construction?

Actually, the government is caught between reform and populism. After the BJP lost the 2004 election on the "Shining India" issue the UPA focussed on inclusive growth and launched programmes, including Bharat Nirmaan and the rural job guarantee scheme. Sonia Gandhi's food security Bill, when passed, requires huge resources. Earlier 8-9 per cent growth could yield enough revenue to support welfare. Now growth has slowed and the 2014 election is approaching. The government can neither cut welfare spending nor slash subsidies. It cannot hike the prices of diesel, the fuel of farmers, during a near drought. As the fiscal and current account deficits bloat, foreign rating agencies threaten further downgrades, which could hit FDI inflows. High inflation holds back the RBI from cutting interest rates to accelerate growth. In these circumstances, the Prime Minister could not have delivered a more "inspiring" speech.