

## Course correction – Goan roulette

### The State needs political stability to be able to crack down on rent-seeking

When Pramod Sawant took office dramatically in the early hours of Tuesday as Chief Minister, it was the 23rd time that the regime in Goa changed since 1963, excluding five spells of President's Rule. Mr. Sawant's legislative majority is far from clear and the longevity of his government remains a subject of speculation. The State voted a hung Assembly in 2017, with the BJP winning fewer seats than the Congress. The machinations that led to the installation of a BJP-led government headed by Manohar Parrikar did not match up to any high standards of democracy. Parrikar's image acted as a veneer for his party's less than honourable pursuit of power. He was a moderate in the Hindutva party and reached out to Christians, who constitute 25% of the population. His return to the State after leaving the Union Cabinet was a condition set by parties and independents for supporting the BJP. He was able to considerably insulate himself from the afflictions of Goa's politics. With his passing, politics in Goa could be less restrained. Its politicians should strive hard to prove the sceptics wrong. History, of course, does not counsel optimism.

Multiple social and economic factors contribute to the volatility. Goa's population, as per Census 2011, is just 14.59 lakh, and it is one of the smallest States also in terms of area. There are 40 Assembly constituencies, relatively small in size; most have less than 30,000 voters. Besides the Congress and the BJP, the Maharashtrawadi Gomantak Party, the Goa Forward Party and the Nationalist Congress Party are represented in the current Assembly. The main political contest is between the BJP and the Congress, but given the small sizes of constituencies and the close contests, the scope for manipulation of the electoral process is very high. Seasoned political players have perfected the art of setting up multi-cornered contests by fielding independents and fringe political outfits that fragment the votes and turn the tide to their benefit. Goa is the place where the many ills of Indian democracy play out in a stark manner. Land is scarce, with tourism being the mainstay of the economy. Mining, which used to be the other major driver of the economy, has been stalled by the Supreme Court since February last year. There are numerous avenues for political patronage, rent-seeking and generation of dirty money. The political system, rather than acting as a counterweight to the hazardous forces that its economy and geography generate, often ends up accelerating them. A **government** with a wafer-thin majority is unlikely to address these systemic ills.

#### **Meanings of Difficult Words :**

- **Roulette** - a game of chance in which a small ball is dropped onto a wheel that is spinning and the players guess in which hole it will finally stop
- **Stability** - a situation in which things happen as they should and there are no harmful changes
- **Crack down** - to start dealing with someone or something much more strictly
- **Take office** - to start an official job
- **Dramatically** - in a sudden and surprising way that is easy to notice

- **Early hours** - the period of time between midnight and the very early morning
- **Regime** - a system or form of government
- **Excluding** - used for saying that you are not including someone or something in what you are saying
- **Longevity** - the fact of having a long life or existence
- **Speculation** - ideas or discussion about why something has happened or what might happen
- **Hung assembly** - an assembly in which no party has won enough seats to control the parliament and form the government
- **Machinations** - secret, complicated, and clever plans and actions intended to achieve an aim
- **Veneer** - a pleasant appearance, or a polite way of behaving that is not sincere
- **Pursuit** - the process of trying to achieve something
- **Moderate** - neither very great nor very small in amount, size, strength, or degree
- **Considerably** - a lot
- **Insulate** - to protect someone from unpleasant knowledge or harmful experiences
- **Affliction** - a serious problem
- **Restrained** - controlled and not emotional
- **Sceptic** - someone who has doubts about things that other people think are true or right
- **Counsel** - to give someone advice about what to do in a particular situation
- **Optimism** - a tendency to be hopeful and to expect that good things will probably happen
- **Volatility** - the quality or state of being likely to change suddenly, especially by becoming worse
- **Census** - an occasion on which government officials count the people who live in a country and record other information about them
- **Constituency** - a division of a country that elects a representative to a parliament
- **Relatively** - in comparison with someone or something similar
- **Manipulation** - behaviour that influences someone or controls something in a clever or dishonest way
- **Fringe** - the outer edge of something
- **Play out** - to develop or end in a particular way
- **Stark** - used for describing an unpleasant fact or situation that is very obvious or impossible to avoid
- **Scarce** - if something is scarce, there is not very much of it
- **Mainstay** - the person or thing that something depends on most in order to continue or be successful
- **Numerous** - existing in large numbers
- **Patronage** - help or money that is given to a person or organization
- **Dirty money** - money that someone gets in an unfair, illegal, or dishonest way
- **Counterweight** - a weight that is equal to another weight and creates a balance
- **Hazardous** - dangerous, especially to people's health or safety
- **Accelerate** - to happen or make something happen at a faster rate
- **Wafer-thin** - extremely thin

➤ **Address** - to give attention to or deal with a matter or problem

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## Course correction – **A fight for Kiev**

### **The presidential campaign has been animated by the debate on Ukraine's place in the world**

The pro-West Ukrainian oligarch, President Petro Poroshenko, has a battle at hand in his re-election bid on March 31. Given the crowded arena, including former Prime Minister Yulia Tymoshenko, a run-off cannot be ruled out. The President's modest record in office, however, may not entirely be held against him, given the difficult geopolitical backdrop. The continuing conflict in the Donbas region of eastern Ukraine exerts a heavy toll. Over 10,000 lives have been lost since Russia's 2014 annexation of Crimea. Millions have been displaced, with the resolution envisaged in the Minsk Accord proving elusive. The government has signed a free-trade pact and a separate association agreement with the European Union, and got strong economic and military backing from Washington and Brussels. Memberships of the EU and NATO are among the government's long-term objectives. Ukraine has also been rewarded with an IMF aid package worth billions of dollars for improved governance and enacting anti-corruption legislation. But the increase in the price of household gas and other conditionalities stemming from IMF assistance have fuelled popular discontent.

Mr. Poroshenko has been especially concerned about not loosening his grip on power or political legitimacy since Moscow's recognition of polls last year to the breakaway provinces of Ukraine. When tensions flared up in November after Russia seized three Ukrainian naval vessels on the disputed Azov Sea, Mr. Poroshenko imposed a national emergency. The move was criticised by the opposition as an attempt to capitalise on the conflict with an eye on elections. Opponents are anxious to tap into the popular frustration with the prevailing situation. For his part, the President has adopted an overtly nationalist posture in recent months. Billboards in support of Mr. Poroshenko extol the army's role during the conflict, besides carrying invocations to the country's faith and language. The reference to religion is evidently meant to celebrate the recognition the Ukrainian Orthodox Church won late last year as an autonomous establishment. Independence from the Russian Orthodox Church is a watershed after centuries within the larger fold. Similarly, importance is sought to be attached to asserting the separate identity of the Ukrainian language, predominantly spoken in the western part of the country, over Russian. An exaggerated sense of the distinctness of cultural symbols may at best prove politically expedient in a society with a long pluralist legacy. Mr. Poroshenko should exercise caution not to overplay these issues. His opponent Ms. Tymoshenko is expected to be the frontrunner in the first round of voting on March 31. While she favours engagement with the West, her populist stance, both on the domestic and foreign policy fronts, has not impressed observers in Brussels or in Washington. A close contest is in the offing. But whatever the choice the Ukrainian voters make, their problems are unlikely to disappear in a hurry.

**Meanings of Difficult Words :**

- **Campaign** - a series of actions intended to produce political or social change
- **Animate** - to make someone or something more lively, active, or interested
- **Debate** - a discussion in which people or groups state different opinions about a subject
- **Oligarch** - a member of a small group that runs a country or large organization
- **Arena** - a large area that is surrounded by seats, used for sports or entertainment
- **Former** - used for describing someone or something that had a particular job, title, status etc in the past, but not now
- **Run-off** - to suddenly leave a place or person
- **Rule out** - to stop considering something as a possibility
- **Conflict** - angry disagreement between people or groups
- **Toll** - the total number of people who have been killed or hurt
- **Annexation** - to take control of a country or region by force
- **Displace** - to force someone to leave their own country and live somewhere else
- **Envisage** - to have something as a plan or an intention
- **Elusive** - difficult or impossible to achieve
- **Free-trade** - a system of international trade in which companies do not have to pay high taxes on the goods bought from or sold in other countries
- **Backing** - support, help, or active approval
- **Enact** - to make a proposal into a law
- **Household** - the people who live in a house or flat when they are considered as a single unit
- **Concerned** - worried about something
- **Legitimacy** - the fact that something is legal
- **Breakaway** - consisting of people who have decided to separate from a larger group
- **Province** - one of many areas into which some countries are divided
- **Flare up** - to suddenly become angry or violent
- **Vessel** - a large boat or ship
- **Disputed** - a disputed area is one that different countries claim belongs to them, so that there is a disagreement or war between them
- **Emergency** - a situation in which a government takes action to deal with an event such as a flood or a fire that is putting a lot of people in danger
- **Capitalise on** - to use an event or a situation to help you to achieve something or to get an advantage
- **Tap into** - to understand and express something such as people's beliefs or attitudes
- **Prevailing** - existing at a particular time or in a particular place
- **Overt** - not hidden or secret
- **Posture** - an attitude, or the way that someone behaves towards other people
- **Billboard** - a large board for advertisements in an outside public place
- **Invocation** - a prayer, especially at the beginning of a public ceremony
- **Evidently** - used for saying that something is obvious

- **Orthodox** - accepted by most people as the correct or usual idea or practice
- **Autonomous** - an autonomous state, region, or organization is independent and has the power to govern itself
- **Watershed** - an event that causes an important change to take place
- **Predominantly** - mainly, or mostly
- **Exaggerated** - describing something in a way that makes it seem better, worse, larger, more important etc than it really is
- **Distinct** - separate and different in a way that is clear
- **Expedient** - used for describing an action that produces an immediate result or solution to a problem, even though it may not be fair or honest
- **Pluralist** - the idea that people can and should live together without fighting, despite differences in race, religion, culture, politics etc
- **Legacy** - something such as a tradition or problem that exists as a result of something that happened in the past
- **Overplay** - to treat something as being more important or more serious than it really is
- **Frontrunner** - the person or thing considered the most likely to win a competition, game, election etc
- **In the offing** - likely to happen very soon

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## Course correction – T.N. elections: a lot to lose for regional players

### Tamil Nadu's regional players are locked in a national battle

The electoral scene in Tamil Nadu presents a picture dramatically different from what it was five years ago. The most obvious difference is the absence of the two towering figures of the State's recent political history, M. Karunanidhi of the DMK, and Jayalalithaa of the AIADMK. Both parties will miss the distinctive vote-catching capabilities of these leaders. The second is the return of national parties as key players in the Lok Sabha elections. The 2014 election took place when the two regional parties felt that an alliance with a national party would be a liability. The DMK, a partner in the UPA regimes of 2004 and 2009, walked out of the government in 2013, blaming the Congress for the dilution of a UN Human Rights Council resolution against Sri Lanka. It formed an alliance with minor parties, while the AIADMK, despite the personal rapport between the BJP's then-prime ministerial candidate Narendra Modi and Jayalalithaa, chose to go it alone. With the BJP winning a majority in the Lok Sabha, it required no help from Tamil Nadu to form the government. Though regional parties from the State played key roles in coalitions at the Centre since 1996, the 2014-19 period was a relatively weak phase for them. But now the 2019 contest for the 39 seats in Tamil Nadu will be a regional variant of the national battle between Prime Minister Modi and Congress president Rahul Gandhi, as the AIADMK is in the BJP fold and the DMK has tied up with the Congress. The outcome will reinforce the view that regional parties hold sway in Tamil Nadu, but it can potentially reveal the electorate's national preference.

DMK leader M.K. Stalin was the first ally to endorse Mr. Gandhi's claim to be the alternative to Mr. Modi, indicating a marked shift from five years ago. The AIADMK faces a double anti-incumbency factor. As the ruling party in the post-Jayalalithaa era, it is fighting off the impression of being a supplicant before the BJP. And issues on which the Modi regime suffers from a negative perception, such as NEET and demonetisation, may rub off on the regional ally too. Crucially, as many as 18 by-elections to the State Assembly are taking place alongside the Lok Sabha polls. Their outcome may have a bearing on the majority enjoyed by Chief Minister Edappadi K. Palaniswami. The AIADMK is pinning its hopes on its traditional vote base holding firm. It appears to be strong on its own in the western region, and has tied up with the Pattali Makkal Katchi to improve its prospects in the northern districts. The AIADMK also faces a possible threat to its traditional vote base from T.T.V. Dhinakaran, who heads a splinter group. Mr. Dhinakaran's and actor Kamal Haasan's fledgling parties are separately in the fray, and whatever they garner will have to be at the expense of the two main parties. By all accounts, this may be the DMK's election to lose.

### **Meanings of Difficult Words :**

- **Regional** - relating to or typical of a particular area of a country or the world
- **Dramatically** - in a sudden and surprising way that is easy to notice
- **Obvious** - clear to almost anyone
- **Towering** - extremely impressive, important, or successful
- **Distinctive** - easy to recognize because of being different from other people or things of the same type
- **Alliance** - an arrangement between two or more people, groups, or countries by which they agree to work together to achieve something
- **Liability** - legal responsibility for causing damage or injury, or for paying something
- **Dilution** - the action of making something weaker
- **Rapport** - a relationship in which people like, understand, and respect each other
- **Coalition** - a temporary union of different political parties that agree to form a government together
- **Variant** - something that is related to another thing but is not exactly the same
- **Outcome** - the final result of a process, meeting, activity etc
- **Reinforce** - to make an idea, belief, or feeling stronger
- **Hold sway** - to be the main influence on people's opinions or behaviour
- **Ally** - someone who is ready to help you, especially against someone else who is causing problems for you
- **Endorse** - to express support for someone or something, especially in public
- **Incumbency** - an official position
- **Fight off** - to stop someone who is trying to attack you
- **Supplicant** - someone who requests something from someone powerful
- **Regime** - a system or form of government
- **Perception** - a particular way of understanding or thinking about something
- **Demonetisation** - to officially stop using particular notes or coins, or a particular currency



- **Rub off** - if a quality that someone has rubs off, it starts to affect another person so that they start to have that quality too
- **Prospect** - the possibility that something will happen, especially something good
- **Threat** - a situation or an activity that could cause harm or danger
- **Splinter** - a small sharp piece of material such as wood or glass that has broken off a bigger piece
- **Fledgling** - new and without experience
- **Fray** - a fight or argument
- **Garner** - to collect or obtain a large amount of something useful or important
- **By all accounts** - according to what people say

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## Course correction – Dollar-rupee swap, a useful tool

### The dollar-rupee swap allows the RBI to directly influence rupee value and liquidity

The Reserve Bank of India's decision last week to resort to a dollar-rupee swap, instead of the traditional open-market purchase of bonds, to infuse liquidity into the economy marks a significant shift in the central bank's liquidity management policy. Under the three-year currency swap scheme, which is scheduled to open on Tuesday next week, the RBI will purchase \$5 billion from banks in exchange for rupees. The central bank will infuse as much as Rs. 35,000 crore into the system in one shot at a time when liquidity generally tends to be squeezed. For the banks, it is a way to earn some interest out of the forex reserves lying idle in their kitty. Apart from injecting fresh liquidity into the economy, the move will have implications for the currency market even as it helps shore up the RBI's dollar reserves. Bond yields rose on the day following the announcement of the swap scheme last week, reflecting the prevailing opinion among traders that the RBI may gradually reduce its dependence on the regular bond purchase scheme to manage liquidity within the economy. While traditional open market operations distort the bond market, the new forex swap scheme will introduce new distortions in the currency market. The rupee's recent rally against the dollar has been halted by the RBI's decision to infuse rupees and suck out dollars through the swap scheme. Even so, it is worth noting that the rupee has appreciated significantly in value terms against the dollar since the low reached in October as foreign investors have begun to pour money into the Indian economy.

Overall, the dollar-rupee swap is a useful addition to the RBI's policy toolkit as it offers the central bank a chance to directly influence both the value of the rupee and the amount of liquidity in the economy at the same time using a single tool. In the aftermath of the liquidity crisis in the non-banking financial sector, it can be an effective way to lower private borrowing costs as well. The coming elections, which can lead to an increase in cash withdrawals from banks, may have also played a role in the RBI's larger decision to boost liquidity in the system. The way banks respond after receiving fresh liquidity from the RBI, however, will determine the success of the new liquidity

scheme to a large extent. Businesses could benefit from the greater availability of liquidity, but only if banks aggressively pass on the benefit of lower rates to their borrowers. If banks choose to deposit the fresh RBI money in safe government securities at low yields, as they have done in the past, the *de facto* cap on the government's borrowing costs will remain intact. But if banks manage to find alternative ways to deploy their money, the RBI's new liquidity scheme could end up raising borrowing costs for the government, punishing it for fiscal indiscretion.

### **Meanings of Difficult Words :**

- **Liquidity** - a situation in which a business has money or property that it can sell in order to pay money that it owes
- **Resort to** - to do something extreme or unpleasant in order to solve a problem
- **Infuse** - to give someone or something a particular quality
- **Liquidity** - a situation in which a business has money or property that it can sell in order to pay money that it owes
- **Significant** - very large or noticeable
- **Forex** - foreign exchange
- **Implication** - a possible effect or result
- **Shore up** - to support or improve an organization, agreement, or system that is not working effectively or that is likely to fail
- **Prevailing** - existing at a particular time or in a particular place
- **Gradually** - slowly and in small stages or amounts
- **Distort** - to change something such as information so that it is no longer true or accurate
- **Distortion** - a change that makes something no longer true or accurate
- **Rally** - an increase in the value of something after a period when its value has been low
- **Halt** - to stop moving
- **Appreciate** - if something appreciates, its value increases gradually
- **Pour into** - to give a lot of effort, money, or help to someone or something
- **Aftermath** - the effects and results of something bad or important
- **Crisis** - an urgent, difficult, or dangerous situation
- **Boost** - to help something to increase, improve, or become more successful
- **Aggressively** - someone who is aggressive is very determined to win or be successful
- **De facto** - actual, even though not official
- **Intact** - not harmed, damaged, or lacking any parts as a result of something that has happened
- **Indiscretion** - something you do that shows a lack of judgment

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