

GIFT FROM RBI**The government should put the bonaza to use in a prudent manner**

After a long tug of war, the government has eventually had its way with the Reserve Bank of India, managing to get it to part with a portion of its accumulated reserves. The RBI board, on Monday, decided to transfer a massive Rs. 1,76,051 crore to the government, including a sum of Rs. 52,637 crore from its contingency reserve built over the last several years. The outflow from the RBI's reserves was limited to this amount only because the Bimal Jalan Committee, appointed to recommend the economic capital framework for the RBI, decided to keep a major part of the reserves locked up and out of the reach of the government while opening up the remainder with strict stipulations. The Committee has recommended, and rightly so, that the Currency and Gold Revaluation Reserve Account (Rs. 6.91 lakh crore as of June 30, 2018), at least half of which was eyed by the government, represents unrealised gains and hence is not distributable to the government. In the case of the Contingency Reserve (built out of retained earnings), which was ₹ 2.32 lakh crore as of the same date, the committee said that it should be maintained within a band of 6.5-5.5% of total assets. It left it to the RBI board to decide the precise percentage it was comfortable within this band and transfer the excess to the government. As it happened, the board, in its Monday meeting, decided to peg this ratio at 5.5% thus enabling it to transfer a sum of Rs. 52,637 crore to the government immediately. The committee should also be complimented for clearly specifying that the revaluation reserve cannot be used to bridge shortfalls in other reserves.

In principle, it could be argued that the government as sovereign owns the RBI and hence there is nothing wrong if it decides to tap the central bank's reserves. Yet, that it actually chose to do so is unfortunate because these reserves represent inter-generational equity built up over several years by the RBI by squirrelling away a part of its annual surplus. It is morally unacceptable that any one government can swallow even a part of such funds to help meet its expenditure in a particular year. The reserves, as the Jalan Committee has pointed out, represent the country's savings for a 'rainy day', which is a monetary or financial crisis. Interestingly, the net surplus of Rs. 1,23,414 crore posted by the RBI in 2018-19 is more than double that of the previous year and is considerably higher than the Rs. 65,876 crore that it netted in 2015-16. Only the release of the RBI's Annual Report in the next few days will help in the understanding of the reasons behind the sharp jump in the surplus. The big transfer from the RBI will free up the hands of the government at a time when tax revenues are undershooting the target by a long chalk. The money, it is hoped, will be put to use in a prudent manner.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Bonaza		Windfall, godsend, lottery, good fortune
Prudent		Wise, well, judged, judicious, sagacious
Eventually		In the end, finally, by and by
Accumulate		Gather, collect, assemble
Contingency		Eventuality, incident, happening, occurrence
Out flow		Discharge, outpouring, out rush, deluge
Stipulation		Condition, precondition, proviso
Precise		Exact, accurate, correct, pinpoint
Assets		Properties, resources, chattels
Peg		Hold down, keep down, fix, control
Compliment		Flattering, remark, tribute, accolade, commendation
Argue		Quarrel, disagree, row, squabble
Sovereignty		Jurisdiction, supremacy, dominion
Tap		Draw on, exploit, milk, utilize
Swallow		Engulf, swamp, devour, over whelm
Rainy day		Crisis, difficult time, misery, plight
Net		Cover with, enclose with
Undershoot		Fall short of

STATE OF STASIS

In Karnataka, the BJP government's cabinet formation has been stuck in first gear

Nearly a month after taking oath and winning a trust vote, Karnataka Chief Minister B.S. Yediyurappa has still not managed to finalise the Cabinet of Ministers of the Bharatiya Janata Party-led government. The fact that it has managed to fill only 17 of a maximum of 34 Ministers and only announced portfolios on Monday suggests that the Chief Minister has been walking on eggshells to accommodate various interests. That cabinet formation has taken so long should not come as any surprise to those following the political events in Karnataka over the last three months. A prolonged political crisis led to the fall of the Congress-JD(S) regime; the BJP's ascension to power was made possible by a rebellion within the coalition's ranks. The 17 MLAs who were subsequently disqualified for their actions are waiting to know the fate of their challenge to the then Speaker's order in the Supreme Court. But they will be encouraged about their prospect of becoming Ministers if the induction of H. Nagesh, an independent MLA who was a Minister in the previous regime, is any indication. The fact that two among the newly inducted Ministers were not even MLAs, but BJP leaders

who played an important role in facilitating these defections also suggests that some of the rebels could be expected to be given berths. But the delay in cabinet formation is not just due to issues related to accommodating these turncoats.

The State BJP has been overly reliant on the party centre to give it direction on every step it has taken so far since the Chief Minister took oath. With the BJP enjoying only a wafer thin majority in the Assembly, the responsibility to ensure a tight ship has fallen upon the powerful party centre led by senior leader and Union Home Minister Amit Shah. The appointment of three Deputy Chief Ministers belonging to various influential communities was clearly meant to accommodate alternative centres of power and to diversify the support base. This does not seem to be Mr. Yediyurappa's preference, if his public utterances over the matter are any indication. But the party centre's calling the shots seems to be leaving him with little choice. The BJP prided itself as a party that accorded greater autonomy to its regional leaders to handle such matters, but in Karnataka today, it is a throwback to the old Congress system with the evident preponderance of the party high command. Whether these steps lead to a balance of interests or to fresh disaffection remains to be seen. But the net result of these political shenanigans has been a prolonged stasis in governance as is visible in the laggardly work done in rehabilitation and reconstruction in parts of Karnataka that are reeling from the after-effects of debilitating floods.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Stasis		A state of inactivity / equilibrium
Stick (v)		Adhere, hold, something firmly
Oath		Vow, promise, pledge, avowal, attestation
Announce		Pronounce, aver, avow, herald, profess
Eggshell		Cover, natural, covering
Accommodate		Help, fit in with, assist, aid, oblige
Prolonged		Continuous, sustained, perpetual
Ascension		Ascent, climbing, mounting, rise, soaring
Rebellion		Revolution, stirring, mutiny, insurgence, contumacious
Coalition		Alliance, union, affiliation, bloc
Subsequently		Later, later on, after words, then
Fate		Destiny, providence, nemesis, kismet
Encourage		Prod, persuade, exhort, stimulate
Prospect		Likelihood, hope, expectation, anticipation
Induction		Inaugural, initiation, installation

Indication	Sign, symptom, manifestation, signal
Rebel	Revolutionary, insurgent, mutineer
Defection	Desertion, absconding, decamping
Long chack	Good distance, away
Berth	Accommodation
Turncoat	Traitor, renegade, defector, deserter
Overly	Unduly, excessively, inordinately
Reliant	Dependent, relying, subservient
Wafer thin	Very thin, rangy, scrawny, scraggy
Utterance	Remark, comment, word, expression
Call the shots	To be in control of a situation
Accord	Give, grant, correspond, agree, tally
Autonomy	Freedom, independence, liberty
Preponderance	Prevalence. Predominance, dominance
Disaffection	Dissatisfaction, disgruntlement, discontent
Shenanigans	Secret or dishonest activity
Prolong	Lengthen, extend, draw out, elongate
Laggard	Lazy, sluggish, sluggard, indolent
Rehabilitation	Restoration, betterment, convalescence
Reeli	Stagger, lurch, sway, stumble
After effects	Results, outcome, aftermath