

And now, jugaadnomics

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Modinomics will have to wait till Rajya Sabha changes its composition or behaviour

After last year's watershed elections, many had expected India to immediately enter a new economic era, and some even started giving it a name, Modinomics. It was, of course, modelled after Reaganomics and Abenomics, the eponymous homage to the economic rejigging of 1980s USA by President Ronald Reagan and present day Japan by Prime Minister Shinzo Abe.

That expectation had been based on both the campaign rhetoric as well as the new PM's track record as chief minister. But despite getting the biggest mandate and the first single-party Lok Sabha majority in three decades, his government's economic agenda has been marooned in the parliamentary logjam in Rajya Sabha.

That is not to say there has been no change in the economy. The government legitimately refers to India's 12-place jump in this year's annual World Bank index on ease of doing business. Going by the World Economic Forum's annual index of economic competitiveness, India has done even better, going up 16 places after five years of decline. And FDI is up significantly.

But the kind of quantum leap that would justify an epoch-defining moniker has been elusive. So what is a government to do? The perception that it had tried to bypass Parliament by issuing a large number of ordinances is misplaced. From Nehru's time Indian governments, including this one, have averaged around 10 ordinances a year.

One way is to fall back on a timehonoured Indian approach, jugaad. This familiar north Indian term nevertheless deserves some reflection. Wikipedia calls jugaad "a colloquial Hindi and Punjabi word that can mean an innovative fix or a simple work-around, used for solutions that bend rules, or a resource that can be used as such, or a person who can solve a complicated issue."

From using washing machines as industrial-strength mixies for making lassi, to paper clips holding skin flaps during surgery, examples of Indian jugaad are legion. In fact, several international academic papers and books have been written on jugaad, covering fields such as innovation, technology and management.

Now jugaad has arrived in India's lawmaking. As this column is being written the government has filed in Lok Sabha the long overdue bankruptcy bill, aimed at expediting and streamlining the winding down of unviable businesses.

But this bill has a twist. It includes tweaks to tax laws, including income tax and customs and excise duties, thus making it a “money bill”, which does not require passage by the Rajya Sabha.

Finance minister Arun Jaitley had first hinted at this as a fallback option back in August, when his bid to break the Rajya Sabha logjam got no support from the opposition. Several other democracies that faced such deadlock between two chambers of bicameral legislatures have resolved them by amending their constitutions. This was done by either reducing the powers of the chamber that is nominated or indirectly elected, the path followed by the UK and Italy, or by making that chamber directly elected, which the US did.

But key sections of the opposition remain resolutely against even discussing any systemic reform. Six members of Rajya Sabha have gone to the extent of filing a privilege and contempt motion against this author, for writing in these pages last month that it is time to debate such reforms in India.

The government’s structuring of legislation as money bills that might not in the usual course be so is a workaround, a jugaad way of getting things done. Will it pass muster? Some experts, including lawyers and retired senior bureaucrats, say it does. Even critics, while objecting to its propriety, tacitly admit it may be legally feasible.

For instance, retired Lok Sabha Secretary General P D T Achary has written that the Constitution requires money bills to have no non-money bill components, but also that the Speaker’s decision is final in these matters. He further says that there ought to be stipulated procedures for how the Speaker should interpret what constitutes a money bill, but concedes there aren’t any.

He cites precedents of Rajya Sabha accepting the finality of the Speaker’s decision in this matter. And though he has reservations, Achary most tellingly quotes Nehru from 1953, “It is now clear and beyond the possibility of dispute that the Speaker’s authority is final in declaring that a bill is a money bill. When the Speaker gives a certificate to this effect, this cannot be challenged. The Speaker has no obligation to consult anyone in coming to a decision.”

It is quite possible that Nehru’s successors will disregard his stand and try legal and agitative means to challenge the government’s move. Nevertheless, it seems the latter has done its homework. And that the present ruling party, which in opposition had similarly crippled its predecessor, is determined to chart a different destiny.

The opposition is right to ask the government to reach out more and address its concerns. But unless it is also sincerely willing to find middle ground, it could find itself outflanked on all but the most exceptional bills like GST, which require constitutional amendments.

Jugaad is not the ideal solution, but it gets the job done in difficult circumstances. Until either the Rajya Sabha composition changes, or there is a breakthrough compromise, Modinomics will have to wait, but Jugaadnomics need not.