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# EDITORIAL INSIGHT


COMPILATION OF THE EDITORIAL OF BUSINESS STANDARD, BUSINESS LINE, THE ECONOMIC TIMES, MINT

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01 Sep 2025

LINE& LENGTH.

TCA SRINIVASA RAGHAVAN

# American economy with Chinese characteristics?

## The Right wing party in power in the US is turning increasingly leftward by its constant interference in the economy

This article is prompted by the news from America where a right wing party is turning left, rather like the BJP in India. Right, when out of power and Left when in power.

But first a little story. Back in late 1978, a strange new book was published.

The title of the book was *The Downfall of Capitalism and Communism*. It was by an economist called Ravindra Batra.

The book wasn't taken seriously.

But as it turned out, Batra's prediction turned out to be right in the case of Communism which collapsed in 1990. One of the European governments then gave Batra a large award.

But he was wrong about capitalism which didn't collapse, simultaneously or even later. But it has been slowly disintegrating since the Atlantic financial crisis of 2008, exactly for the reason that Batra predicted: growing inequality, or what amounts to the same thing, concentration of wealth in just one per cent of the population.

The truth, however, is that neither capitalism nor communism have collapsed or been collapsing. They have been converging, for many political and economic reasons. That's going to be the story of this century.

I should add that India is the intellectual pioneer of this trend. We called it a mixed economy in which government-owned financial institutions exercised control. Both the capitalists and the communist countries laughed at us. But we were absolutely prescient, at least by political compulsion, if not economic design.

### CHINESE CAPITALISM

In 1978 China followed our example by going from a completely communist economy to allowing private property in the means of production. They have not looked back since then and it is private enterprise that has fuelled the extraordinary Chinese growth.

The reason: they encouraged production in the market for goods, mostly for export, while ruthlessly suppressing the labour and financial markets. They kept the cost of these two main factors of production very low.

Simultaneously, however, all of the private enterprise was, and is, closely supervised by the state. Not only the institutions of a state but the Chinese Communist Party, no less. It's not very different from the ubiquitous medieval European church.

The Chinese government, both central and provincial, also have direct and indirect stakes in enterprises. These stakes are not necessarily financial but they do permit intervention in enterprise policies. It's what we had called the mixed economy.

Deng Xiaoping, the father of modern China had, however, called it 'Marxism with Chinese characteristics'. The key characteristic was government presence in economic decisions. Vast amounts of literature is available on this subject.

### AMERICAN SOCIALISM

Now the opposite is happening. America is turning Left under a right wing party.

> **There appears to be an ideological shift in the Republican Party.** The details of how to intervene in the economy might vary but the need for it is now fully accepted

Hence the convergence mentioned above.

What I write below is taken entirely from a highly regarded Left leaning American newspaper, the *New York Times* (*NYT*). It recently summarised, in what I think was a disapproving tone, Trump's leftward lurches in the last three months.

Whether it is industrial subsidies or stakes in enterprises or whichever form instrument allows the government to get a say, the *NYT* summary says, "Protectionism, industrial policy and government ownership — all once conservative boogeymen — are now official doctrine."

The summary goes on to say that Trump is "selecting companies, not industries" for special treatment. All this and much more can be found here: https://www.nytimes.com/2025/08/27/briefing/intel-tariffs-the-fed-state-intervention.html

The main point is clear. There appears to be an ideological shift in the Republican Party. The details of how to intervene might vary but the need for it is now fully accepted, it seems.

So what is the reason for this? It is, as Batra said 50 years ago, it is income distribution.

It turns out that those without college degrees are significantly worse off than those with such degrees. The difference in their incomes can be as much as one to 10.

Not just that. The incomes of those without degrees have been stagnant and even falling for the last two decades. These people are, if you will, the 21st century equivalent of Karl Marx's 19th century proletariat. They are also Trump's base.

So how do you help them after they voted for you last year? You do what the communists do best — you start intervening in enterprises.

Will we see increasing government involvement in private enterprise in America?

As long as Trump is President, yes. After that America , like Pakistan, might well end up as an economic province of China, nominally sovereign.

As Mao said, we are living in interesting times.

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01 Sep 2025

# A tug-of-war over cashless health insurance

## APHI has resolved the issue with Bajaj Allianz but it is still festering and needs a permanent solution

bl.explainer

PT Jyothi Datta
Mithun Dasgupta

As hospital representatives and health insurance providers prepare to address differences that led to an ugly stand-off between the two, over cashless health insurance services – here's a look at why this happened and where it leaves the policy-holder.

**Why did insurance companies and healthcare establishments clash over cashless health insurance services?**

The Association of Healthcare Providers of India (AHPI), on August 22, said it had issued an advisory to its member hospitals to suspend cashless healthcare insurance services provided by Bajaj Allianz, from September 1.

This followed complaints from members involving multiple issues including "abrupt stoppage" of cashless services at some hospitals "on frivolous grounds", delays in empanelment to the General Insurance Council (GIC)-led panel, payment disputes with hospitals on new technologies/medicines, and questioning of clinical decisions made by a doctor, in an effort by insurance companies to push low-cost/cheaper drugs or implants, the AHPI alleged.

Further they claimed that insurance companies had not revised treatment rates for years, in line with medical inflation. Besides, companies presented similar rates, and used "collective bargaining" to pressurise hospitals to comply, the AHPI said.

The GIC responded calling out AHPI's "sudden unilateral action" as creating confusion among policy-holders, besides denting trust in the health insurance ecosystem. Insurers alleged, hospitals were attempting to hinder the common empanelment of healthcare providers.

After a meeting with Bajaj Allianz and follow-up steps taken by them, AHPI withdrew its advisory on suspending cashless services of this provider.

**What are the hospitals' concerns on cashless insurance?**

During cashless authorisation, for example, items like implants are left open, says AHPI. And at payment time, when bills are presented even for implants from reputed manufacturers, "the cost is disputed, and deductions made for the differential cost," it added. Delayed payments and disputes over clinical decisions are at the core of these stand-offs — that are not entirely new between these two industry segments.

**But health insurance companies are unhappy with hospitals too, why is that?**

The GIC points to initiatives like "cashless everywhere", for example, as efforts to ensure patients get treated without the financial stress of upfront payments, for example, while admitting a patient. Health insurance providers say, there is no apex body for them to lodge complaints of higher charges or unreasonable treatments by hospitals. They have been calling for a strong healthcare regulator — for standardisation of treatment protocols and rates across hospitals to ensure transparency and fairness in the healthcare ecosystem.

Insurers say standardisation of rates across treatments at hospitals under all insurance companies could eliminate overcharging at hospitals and bring down medical inflation (pegged at 12-14 per cent). High medical costs lead to upward revisions of insurance premiums.

Just as insurance companies are answerable to the IRDAI (Insurance Regulatory and Development Authority of India), a healthcare regulator would help set standard treatment rates.


**INSURERS.** Under the scanner ISTOCKPHOTO

**Could this escalate to more hospitals not accepting cashless insurance?**

That is a worry – as contentious issues raised by both are quite company agnostic. Internal discussions are underway for a possible meeting between AHPI and GIC – with the expectation it comes out with a workable mechanism to resolve outstanding issues.

Health insurers expect hospitals would agree to come under common empanelment to provide cashless treatment to patients.

**And what of policy-holders - will they be treated at hospitals, covered by insurance companies?**

Patient trust in hospitals and healthcare insurance has suffered — as they worry about making hefty upfront payments to admit a patient, despite having paid high health insurance premiums — if the cashless facility is suspended, even for a few days.

Hospitals will still treat patients and insurance companies will still reimburse payments made by policy-holders — but the patient will have to bear the brunt of making the initial out-of-pocket payment, despite having an insurance, for no transgression on their part.


01 Sep 2025

# REASON FOR OPTIMISM

*Q1 GDP growth, a bright spot amidst headwinds*

**The GDP print for the first quarter of this fiscal is surely encouraging. A growth rate of 7.8 per cent, against 6.5 per cent in the corresponding period last fiscal, comes as the highest quarterly growth figure in a year. This growth in value addition has been broad based; although services has led the growth spurt, manufacturing and agriculture have done well. On the demand side, it appears that consumer demand is holding up, while capital formation has been encouraging.**

The question is whether this buoyancy will hold its own against the geo-economic chaos unleashed on India and the world. As for some specifics on the Q1 growth, services grew by 9.3 per cent (6.8 per cent last year); manufacturing 7.7 per cent (7.6 per cent) and agriculture 3.7 per cent (1.5 per cent). Within services, travel and the trade and hotels segment has been buoyant, growing at 8.6 per cent (5.4 per cent). The base effect, therefore, is not significant on the whole. A good monsoon foretells robust rural demand, while buoyant services suggests that even urban demand is looking up — a point underscored by the Finance Ministry's latest Monthly Economic Review (for July 2025). While the Q1 GDP data reveals a 7 per cent growth in private final consumption expenditure, the July review goes to explain this further. It cites a Nielsen study to show that FMCG volume sales in urban India have grown 6 per cent in Q1FY26 (year-on-year), having steadily climbed through FY25. It was just 1.3 per cent

climbed through FY25. It was just 1.3 per cent

in Q1FY25. Rural growth in FMCG volumes remain buoyant at 8.4 per cent in Q1FY26 (4.8 per cent a year ago and at 8-9 per cent over the last three quarters). However, it is not clear why this pick-up in consumption is not reflected in the sales performance of companies at large. The Reserve Bank of India's August Bulletin observes that sales growth of non-financial companies in petroleum, automobiles, electrical machinery, food products, and IT and non-IT service companies declined in Q1.

Be that as it may, a 7.8 per cent growth in investment in the first quarter (6.7 per cent in Q1 FY25) has been supported by the Centre frontloading its capex, using up nearly a quarter of its Budget (although Centre accounts for about 13 per cent of total investment in the economy). The RBI Bulletin points to strong growth in capital goods imports in Q1. However, this sudden rise in imports or even exports, in fact, could be preparation for adverse times. Meanwhile, there are worrisome signs in the GDP data itself — such as a deceleration in nominal growth from 9.7 per cent in Q1FY25 to 8.8 per cent in Q1 this year even as real growth has picked up. Apart from the impact on government revenues and the fiscal deficit, lower nominal growth does not sit well with a buoyant economy; it suggests a demand constraint.

India needs robust domestic demand to offset the compression in global trade. GST rationalisation can offset rising costs of business. However, to deal with the ongoing external shock, fiscal and monetary steps may be needed.

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ILLUSTRATION: AJAYA MOHANTY


# A pivot to China?

## This does not seem to be useful

For many years now, Indian engagement with China has been a frozen conflict. After border violence at Doklam and Galwan, the Indian approach was that economic engagement is conditional on decency at the border. In September 2021, the book *Rising to the China Challenge: Winning through Strategic Patience and Economic Growth*, by Gautam Bambawale, Vijay Kelkar, R A Mashelkar, Ganesh Natarajan, Ajit Ranade, and Ajay Shah, was published by Rupa Publications. In essence that book argued: (a) In the short term, India was too weak to confront China alone, what was needed was a coalition with the great democracies of the world; and (b) the best foreign policy is to succeed on getting to economic growth, to build an India over a 25-year horizon where the asymmetry vis-a-vis China is less pronounced.

**SNAKES & LADDERS**

**AJAY SHAH**

With American President Donald Trump's tantrums, some in India are ready to rethink the China relationship. Some fantasise of Richard Nixon/Henry Kissinger's pivot to China, as a way of constricting Soviet Russia, and think that India can do similarly with China in order to constrict the United States (US). A greater sense of history, looking back, and a greater strategic sense, looking forward, is required.

A good place to start is to examine the Chinese V-Day military parade. Special guests from Russia, North Korea, Iran, and Myanmar underline that strategic alignment. Beijing has two policemen in every corner, Tiananmen Square has a military presence, and schools have declared remote operations. This is just not the character of healthy liberal democracies, which do not perform showy military parades.

In our hearts in India, we are a liberal democracy. Being a liberal democracy matters to people who matter. India should not dilute this strategic position on the globe by cosying up to China, which is not a natural partner.

Mr Trump is indeed a historic low in the US; nobody expected the US to collapse into right-wing populism. We generally think that the advanced economies of the world have great institutions, but here we are, the US is now like an emerging market. At the same time, we should not see Mr Trump as a permanent feature of the US. For decades, both parties in the US have supported India's rise, and looking beyond Mr Trump, we can expect a better US. They will reapply for the label of an advanced democracy, and they will improve relations with India.

Most Chinese firms are monolithically controlled by the Chinese government. India is not like that, and the US is not like that. In the weeks after Mr Trump breathed fire, American firms like Apple and Kyndryl announced expansions of their activities in India. The US courts are pushing back against the President, in a way that could never happen in China. This gives stability to the India-US relationship, derisking it from politics, in a way that could never happen with China.

Our conflict with the US is about the 50 per cent tariff. Our conflict with China is about much more than this. It was not so long ago that we saw practical Chinese military support for Pakistan. China's actions on Tibet, Nepal, Bhutan, Bangladesh, Sri Lanka, Burma, and Mauritius are all inimical to Indian interests. China preaches multipolarity in the world but unipolarity in Asia: These aspirations impose unpleasantness upon us.

With American markets shrinking, we in India are required to do better on finding new export markets. The natural place to do this is the advanced democracies, ranging from Europe to Canada to Taiwan. The Chinese market is significantly unavailable to Indian exporters, because China is a prime exponent of cheating on the principles of free trade with an array of non-tariff barriers. While 5 per cent of the credit for the slow death of the open global trading system goes to Indian unfairness, 95 per cent of this credit goes to China. There is no ready path for Indian firms to grow exports to China without profound changes in the Chinese system, which is littered with minefields of economic nationalism and the lack of rule of law. The Chinese macroeconomy is suffering from a unique problem of overproduction: In many industries where India has a presence, openness to imports from China represents Chinese export of unemployment.

Chinese economic coercion against India is alive and well. The Chinese state is trying to interfere with India's rise as China+1. They have imposed restrictions on certain exports to India where the global supply chain relies on China. As Mr Bambawale has emphasised, even if these taps are opened today in a showy deal, we have to be fully conscious that the export bans can come back tomorrow. So there is no choice for Indian firms but to build non-China supply mechanisms. Hence, any quick deal right now does not really solve the problem.

Chinese President Xi Jinping is not negotiating from a position of strength. He is in decline at age 72: In an authoritarian system, there are no clear mechanisms to a peaceful succession. His priority is to hold on to power, and not to think strategically for the prosperity of the Chinese people. This intrudes on the extent to which a sensible peace with India can be achieved.

The decline in the US market is a modest-sized problem, which Indian firms will solve, ideally with immediate policy support in the form of removing trade barriers, indirect tax reform, and currency depreciation. The US is better than Mr Trump; they will improve in coming years. India's interests lie with the advanced democracies of the world. It is with the West that we have non-resident Indians, our children studying, incoming foreign capital, the flow of the full knowledge that will make India great, foreign technology from central-processing units to Unix to LLMs, global companies operating in India, and our export markets. We should stay this course. There is plenty to do, expanding Indian engagement with the advanced economies that are not the US, which contain an aggregate market that is twice the size of the US.

*The author is a researcher at XKDR Forum*

01 Sep 2025


# A reciprocal tilt

## Deeper bilateral ties with Japan have a US context

With 21 pacts signed during Prime Minister Narendra Modi's two-day visit to Tokyo for the 15th annual summit, India and Japan have signalled a significant deepening of bilateral ties in the context of the geopolitical challenges emerging from across the Pacific. An indirect validation of the impulse to do so for both countries emerged hours after Mr Modi's meeting with his Japanese counterpart, Shigeru Ishiba, with American President Donald Trump reportedly dropping plans to visit India for the Quad summit later this year. This informal security partnership of the United States (US), India, Japan, and Australia was once considered a bulwark against China's rise in the region, and Mr Trump had been its enthusiastic advocate in his first term. Recent assessments in Japan and Australia, however, suggested that the White House had chosen to put the arrangement in the deep freeze.

Their deteriorating trade relations with Washington have obliged both New Delhi and Tokyo to pursue countervailing relations, and the latest meeting in the Japanese capital provides strong signals of a renewed reciprocal tilt. While the 50 per cent tariff imposed by the US on India, a part of which is ostensibly for buying oil from Russia, can be expected to impose costs on economic growth, Japan's trade deal with Washington, too, has run into problems. Last week Japan's top trade negotiator cancelled a trip to the US owing to glitches in the US-Japan trade deal. These principally concern higher tariffs on Japanese automobiles and a controversy over a $550 billion investment package by Japan in return for lowering tariffs on Japanese imports. The US President's presentation of the investment package as "our money to invest as we like" has not played well with public opinion in Japan. It is noteworthy that Japan resumed crude oil and gas imports from Russia's Sakhalin-2 project in June this year, after a two-year hiatus.

The broad point, therefore, is that with the US increasingly being viewed as an adversary, India and Japan are seeking to extract as much shared benefit from a relationship that has always been cordial and constructive. The key element of the 15th summit is the change in tonality on the Japanese side. Since the 1950s, India has received considerable assistance from Japan for infrastructure (such as Delhi Metro), urban development, and livelihood improvement. The Japan International Cooperation Agency has been India's development partner. But the latest set of agreements suggests that it is Tokyo that has become more forthcoming in expanding the ambit of engagement with New Delhi. This is especially evident in the economic agreements that seek to establish closer business-to-business ties. These include a private-investment target of 10 trillion yen ($67 billion) from Japan, initiatives to foster collaboration between small and medium enterprises, and the establishment of business forums between India and the two regions of Kansai and Kyushu, both key economic hubs, with the latter being a strategically vital centre for the automotive and semiconductor industries. Economy-oriented security-cooperation agreements have been no less consequential — including in promoting supply-chain resilience in strategic sectors. For both countries, this hedging of geopolitical strategies is also critical in view of the Shanghai Cooperation Organisation Summit, at which Chinese President Xi Jinping appeared keen to project a China-led global power grouping as an alternative to the Washington Consensus.

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# Business Standard

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# The coal question: It can be displaced

What do we do with coal and the electricity it generates? This is the zillion-dollar question amid the twin challenges of climate change and the urgent need for energy across vast parts of the developing world. The world is fast running out of the carbon budget to keep temperature rise below 1.5°C — a guardrail against out and out devastation. We need solutions that can and must work in the interests of all. This is where the coal question becomes complicated. It is easy to say "keep it in the ground" — do not use coal for generating electricity because it is responsible for the bulk of the greenhouse-gas emission, which has filled our atmosphere. But how will that work in an energy-insecure world?

DOWN TO EARTH
SUNITA NARAIN

It is also a fact that the sermonising world has for generations used coal for electricity — the emission is still in the atmosphere, including those of carbon dioxide ($CO_2$) — and is now mostly switching to another fossil fuel, the only somewhat cleaner natural gas, which still adds to greenhouse-gas emission. The European Union (EU) has signed with the United States (US) what it bills as a historic trade deal, under which it promises to import energy products — natural gas, crude oil, and coal — amounting to a massive $250 billion annually for three years. This may be a castle-in-the-sky promise, but it does imply that the EU has agreed to remain wedded to fossil fuels, countering its green-energy plans.

What then should countries like India do when confronted with the hard reality of energy poverty and the desperate need for affordable development? Should we give up coal dependence, or should we find ways to balance old and new energy sources, even as we move towards cleaner growth? I have always argued that the Indian government's plan for energy transition, which is based on displacing but not replacing coal, is the way forward for us. The fact is our energy demand will double by 2030, and this increase will come from clean energy sources, primarily wind and solar. By 2030, coal, instead of meeting 70-75 per cent of electricity demand, would cater to only 50 per cent.

We must discuss what this means and what can be done to reduce greenhouse-gas emission from the coal-based power sector. I know this is a taboo subject, as it is better to believe that coal will soon be relegated to the dustbin of history. But let's get real. We need to reduce emission at all costs and across all sectors. We need to do this for local air-quality benefits, to reduce toxic pollutants, which contribute to health challenges. We also need to do this for global climate benefits. If we can find strategies that can work for both, it will be a win-win.

This is what my colleagues have done in the report "Decarbonising the Coal-based Thermal Power Sector in India: A Roadmap". Our analysis shows that if the country adopts a strategy for decarbonising thermal-power plants, it could lead to emission reduction as large as those from two similarly hard-to-abate sectors — iron and steel, and cement.

The first step in the road map is that existing plants should be required to meet the benchmark efficiency of the best plants in their category. For instance, power plants based on sub-critical technology — roughly 85 per cent of the current fleet — should be required to meet at the very least the emission factor of the top performers in their category (such as Tata Power's 40-year-old Trombay unit, the Kothagudem Thermal Power Station, operated by the Telangana State Power Generation Corporation Ltd or JSW's Toranagallu plant). This would result in a significant improvement in overall emission.

The second step is to replace coal as the raw material — many power plants are already using biomass for co-firing. Our proposal is to mandate a switch to 20 per cent biomass, which would reduce carbon-dioxide emission at scale.

But all this requires a plan with emission targets and clear directions. For instance, currently, the government's plan is to build ultra-supercritical coal plants, which are undoubtedly much more efficient and cleaner than older technology. But without the right policy incentives, 40 per cent of these new-generation units work below a 50 per cent plant load factor, which means their emission is higher than plants with poorer technology. The underlying problem is that the current merit order dispatch system, which determines the sale of electricity, is based solely on the cost of generation. It is cheaper to produce electricity from older power plants, which have depreciated capital costs, or from units with less investment in technology or maintenance. This is the fatal flaw that still makes dirty coal the king. It needs to be displaced. And it can be.

The author is at the Centre for Science and Environment.sunita@cseindia.org, X: @sunitanar

# An environmental villain, reconsidered

BOOK REVIEW

JAIME GREEN

The thesis of Peter Brannen's new book is right there on the cover: *The Story of $CO_2$ Is the Story of Everything*. But surely there's no way he means everything, right?

Oh, does he ever.

This ambitious, absorbing book begins with the origins of life and stretches through the rise of human civilisation and technology, including all the modern woes associated now with the troublesome greenhouse gas.

By the end, the reader feels convinced: Evolution and human prehistory and wars and the Dutch East Indies Company and the attack on Pearl Harbour and Reagan and Thatcher and and and and and and. ... All of it looks like the story of carbon dioxide, after all.

It could be seen as the story of energy as well, and one of the book's many fascinating deep dives is its critique of economists, technocrats and futurists who, "overly impressed by the symbols of the synthetic world they've created," fail to take energy into account. But here on Earth, with the peculiarities of geology and life, energy comes down to carbon.

Almost all of the energy that we have access to comes from the sun, and photosynthesis requires $CO_2$.

In the usual processes, that energy trickles up through the food chain until it's exhausted and released as waste heat. But the great luck of this planet is that rather than being consumed or rotted (same thing), reduced to waste and raw materials, some carbon stores — washes of plankton and heaps of swamp life — were instead entombed for millennia in stone.

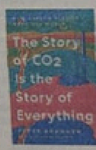
Thus, fossil fuels are "fossilised sunlight": solar energy on reserve. This buried carbon also acts, in one of Brannen's running metaphors, as a giant capacitor. It was charged by geology; it is now being discharged by human workings "on a planetary scale."

But as Brannen, a contributing writer at *The Atlantic*, described in his 2017 book on mass extinctions, *The Ends of the World*, geology has found ways to discharge similarly stored energy in the distant past. It did not go well.

While Brannen doesn't shy away from the fearsome shape of our future, he finds ample joy in this deep-time journey, unafraid to puncture his expertise with gob-smacked wonder. And he takes great pleasure in language, always spry with a sentence ("Russia shared a meaty tundra handshake with Alaska") even as the world literally burns.

At certain extremes, Brannen's enthusiasm colours his claims. Take Pearl Harbour: Accepted wisdom may say that the attack was an attempt to draw America into war, or intimidate it into submission. But Brannen sees only $CO_2$ — the bombing a safety measure so that oil-starved Japan could plunder Indonesian oil fields untroubled.

What could come across as bias, though, ultimately reads as passion instead. Brannen is an effusive, maximalist writer, a mind vividly alive on the page. He is never coy with an opinion, whether it's which extinct animals he imagines were ugly (the "torpid little piglike Lystrosaurus" of 250 million years ago; the "phantasmagoric ogres" of the middle Permian era) or how he feels about the Carboniferous period's massive insects, supersized by abundant oxygen ("It was a horrifying time to be alive").




THE STORY OF $CO_2$ IS THE STORY OF EVERYTHING: How Carbon Dioxide Made Our World
by Peter Brannen
Published by Ecco
512 pages $35

And his arguments, like his writing, are hugely compelling. Entwined with his proselytising for the importance of $CO_2$ is another, more meaningful assertion, one that gives the book both tenderness and gravity. (The urgency of climate change is plenty grave, of course, but Brannen's readers are likely well aware of it, and disinclined to dwell in that swamp of bad feeling.)

The story of $CO_2$, he posits, extends through geology and biology to human civilisation precisely because the two can't (and shouldn't) be separated: "However much we privilege human history as distinct from the rest of the natural world.... we are a natural phenomenon."

It is a blessing and a burden. We cannot escape the carbon math. Resources are finite, and our actions have impact, far beyond what hundred-year climate models can see. But we are not an anomaly on the Earth, not a cancer or a poison.

We are a manifestation of life, an island of order channelling energy toward entropy for a time. And that island, too, is a part of the story of $CO_2$ — the story of our entire world.

The reviewer is the author of *The Possibility of Life: Science, Imagination, and Our Quest for Kinship in the Cosmos* and the series editor of the Best American Science and Nature Writing.

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# Challenges ahead

## Trade is the biggest risk to growth

In an environment of heightened economic uncertainty, the estimate of gross domestic product (GDP) for the first quarter (April-June) this financial year came as a surprise for most economy watchers and forecasters. The official data, released last week, showed the Indian economy expanded 7.8 per cent during the quarter, the highest in five quarters. Gross value added, which is a better indicator of economic activity, expanded by 7.6 per cent. The Reserve Bank of India (RBI) had projected a growth rate of 6.5 per cent for the quarter. However, sustaining this level of growth or achieving the RBI's full-year projection of 6.5 per cent would be challenging due to the adverse trade environment.

Nearly all segments of the economy supported growth in the first quarter. The agricultural sector expanded 3.7 per cent, against just 1.5 per cent in the comparable quarter last year. The manufacturing segment recorded a growth rate of 7.7 per cent compared to 7.6 per cent in the first quarter last financial year. The services segment also expanded at a faster rate than last year. Meanwhile, mining and quarrying registered a contraction, while the construction sector showed deceleration. High growth, to an extent, was supported by government expenditure, which went up by 7.4 per cent during the quarter. Government expenditure in the first quarter last financial year had been subdued because of the general elections. This is also reflected in government accounts. The Union government had spent about a quarter of budgeted annual capital expenditure in the first quarter, compared to only about 16 per cent in the same quarter last year.

While the first-quarter numbers are pleasing, things could become difficult from here on. The biggest risk to growth, of course, is the prohibitive tariff imposed by the United States (US). Estimates suggest that about 66 per cent of Indian exports will face 50 per cent or higher tariffs in the US. The impact on growth will depend on how long this level of tariffs remains in place. If it persists for even a few quarters, employment and domestic demand will start being affected. While the government is reported to be working on addressing the impact, it will be hard to compensate for the potential demand loss. Thus, growth in the coming quarters will, to a large extent, depend on developments in India-US trade relations. Further, growth in the ongoing quarter could be impacted by households postponing buying decisions because of the expected rationalisation in goods and services tax (GST). GST is expected to come down on several goods, including cars, for example. However, this might affect only one quarter's growth because demand will be back once the GST rates are adjusted.

Aside from the demand concerns, the other big issue is low nominal growth. At current prices, GDP growth in the first quarter was only 8.8 per cent. Since the inflation rate is likely to remain low in the coming quarters, nominal growth may stay around this level or lower for the rest of the year. Slower nominal GDP growth can make it more difficult to achieve fiscal targets. Reports suggest that the impending GST review could also have a revenue impact, at least in the short run. Thus, the government might have to address multiple emerging issues. It will need to tread carefully in what promises to be a challenging financial year.

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OUR VIEW

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# Pleasant GDP surprise: Now for the tough part

*Growth accelerated in the first quarter of 2025-26 but India's economy stares at a slowdown now as US tariffs begin to hurt. Our reforms must aim for a competitive edge, not just a buffer*

India's initial estimate of gross domestic product (GDP) in the first quarter of 2025-26 sprang an upside surprise. The Indian economy recorded real expansion of 7.8%—its best pace in five quarters, a pick-up from the previous quarter's 7.4% and notable for its broad sweep of sectors from farms and factories to services. This suggests a stronger growth impulse than forecasters may have pencilled in. It also ups confidence in the economy's resilience. Although we face trade headwinds from here on, real GDP growth of about 6.5% this fiscal year might still be on the cards. A key role was played by a surge in spending by the government, as visible in an enlarged budget gap and in sharp contrast with last year's election-strapped first quarter. April to June 2025 also stood out for its nominal growth—in current rather than constant 2011-12 prices—estimate of 8.8%. Real growth only a percentage point shy of nominal implies a low 'GDP deflator' and reflects benign inflation at both the wholesale and retail levels.

Consumption and investment both held up in real terms, overall. However, declines were observed on a few indicators: the quarter's output of electricity, for example, and the sale of vehicles. If business revenues seemed to lack buoyancy well beyond the auto sector, we can attribute it to an extraordinary phase of price stability; a sharp reduction in the 'money illusion' makes sales-graph inclines look much less dramatic. While inflation could creep up in the second half of 2025-26, the Centre would need to moderate its outlays to keep central finances in control. Suspense stalks how the economy will perform in the quarters ahead as new US tariffs on Indian exports steepen to 50%. Key dollar-earning sectors have been spared, but enough shipments will now get priced out of the US market to slow our GDP growth. As employers in tariff-hit sectors like apparel and textiles, gems and jewellery and fisheries begin to report cancelled or lost US orders, layoffs loom that might run into scary numbers even if New Delhi rolls out relief packages. This blow may turn out to be a blip, pending a deal with the White House, but private forecasts include a scenario of half a percentage point shaven off this fiscal year's rate of growth. Bearable or not, it calls for a rethink of India's game-plan to emerge as the world's next mega-factory in a context reset by today's global flux and dicey prospects of a patch-up with America. For now, our economy has the support of this year's special fiscal stimulus. Aimed at spurring domestic retail purchases, it took the shape of lighter income tax in the Centre's budget and may be followed by GST easing in time for the festive season. Since a simplified GST regime can set off a ripple of benefits, it would count as a good start to a broader reform thrust aimed at a more efficient economy full of competitive businesses that exude export optimism. Levels of exposure to rivalry would be key, and if handled with care, hard nuts like farm reforms could be tackled again.

An upgrade of Indian statistics is due as well. Our inflation gauges need to be updated for changes since 2011-12, for instance, with both value deflators and volume extrapolators adjusted appropriately to compute the real output of various sectors. India's economy seems more resilient than it gets credit for, but even so, policy must craft more than just a cushion against a trade hit. To thrive amid chaos, we need a competitive edge.

# Last embers: India isn't going to rescue BHP's coke business

*Indian steelmakers need less of it as they seek to decarbonize output*

DAVID FICKLING
is a Bloomberg Opinion columnist covering climate change and energy.

Indian steelmakers were seen as the great BHP hope for a long time. BLOOMBERG

The BHP Group never seems to pick the right moment to sell its fossil fuel businesses. Consider coking coal. The high-quality solid fuel used in steel-making was for many years seen as a jewel in BHP's crown. At the peak, its mines in the Bowen Basin of Australia's Queensland state accounted for about a quarter of such coal traded by sea. It's a relatively small if volatile business, but when supply and demand get out of line, the profits can be extraordinary. The last time prices spiked, in 2022, the world's biggest miner sold more than $10 billion of the stuff at a 62% profit margin.

That would have been a good moment to get out. Coking coal's charms have since faded drastically. CEO Mike Henry, a veteran of BHP's coal unit who always speaks highly of its potential, has been shrinking the business ever since taking over in 2020. Sales in the 12 months through 30 June came to just 17.8 million tonnes, about 41% of the figure in 2019. Further mines may have to close if current low prices persist and Queensland doesn't cut royalty taxes, he warned in annual results last week.

Taxes are not sufficient to explain the problem.

One factor is that it's getting increasingly expensive to mine in the Bowen these days. Unit costs at the four big miners there have almost doubled over the past five years. Depreciation has increased just as dramatically. As open pits worked for more than 50 years (in BHP's case) descend deeper and deeper into the ground, more earth needs to be moved, more diesel burned, and more dump trucks worn out to reach seams of coal and bring it back to the surface.

Last year, BHP spent $157 per tonne on mining, freight and depreciation alone. With royalties of $30 per tonne and coking coal fetching $194 per tonne, that left the business looking marginal at best. Earnings before interest and tax were just $101 million. Peabody Energy's decision last week to walk away from a promised $3.8 billion takeover of Anglo American's Bowen Basin pits, which have been plagued by operational problems in recent years, is emblematic of the darkening outlook for the region.

In many ways, Queensland's mines are victims of their own dominance. When coking coal prices spike, it's generally because the Bowen has been hit by record rainfall, starving a global export market which gets about half its product from the ... rarely can, because their own pits are underwater.

Queensland's royalty regime is so annoying to Bowen's miners because they do best in the aftermath of such crises. With rates that escalate as coal prices rise, the new system introduced in 2022 sharply reduces the super-profits they count on to see them through the lean years.

The bigger problem, however, is simply that coking coal is looking more and more like a declining market. China can produce enough for its own steel industry domestically, and has even been exporting cargoes of late. India, which was held up for years as the great hope of the industry, also may not be coming to the rescue.

Unlike China, which has depended heavily on blast furnaces and pig iron to make its steel, India favours a variety of alternative routes that eschew coking coal—from electric furnaces fed by recycled scrap to directly-reduced iron, which can make use of abundant domestic lower-grade coal instead. On a trailing 12-month basis, India's imports of Australian coking coal peaked back in 2021, and have since fallen by more than a third. However, Indian steel production over the same period has risen by nearly 40%.

There's no other sizeable growth market emerging. Global pig iron production has already peaked and will fall 20% by 2050 as scrap and direct-reduced iron edge out blast furnaces, Li Jiang, chief analyst of the world's biggest steel producer, Baoshan Iron & Steel, argued recently. More than half of steel capacity under development consists of coal-free electric furnaces and India has only started construction on a fraction of the blast furnaces it has promised to build, Global Energy Monitor, a pro-transition group, wrote in May.

Incoming BHP CEOs typically start the job by getting rid of coal mines their predecessors clung on to for too long. One of Henry's first moves in 2020 was to sell off lower-grade pits that the former boss Andrew Mackenzie had cherished. Mackenzie, in turn, began work in 2013 by spinning off underperforming South African and Australian mines as South32.

With another change of leadership soon

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THEIR VIEW

# CoP-30: A chance for the Global South to grab the climate mantle

*The West is faltering but developing countries could push for an equitable path that aims to uplift lives and protect the planet*

MAIARA FOLLY, JAYATI GHOSH & JÖRG HAAS

are, respectively, co-founder and executive director, Plataforma CIPÓ; professor of economics, University of Massachusetts Amherst; and head of the globalization and transformation division at Heinrich Böll Foundation.

AFP


Of all the seismic geopolitical shifts in recent years, perhaps the most striking is the West's rapid decline as a force in global climate governance. Under President Donald Trump's second administration, the US has become both more aggressive and more isolationist. Meanwhile, the EU has grown timid, fragmented and inward-looking. Will the Global South—especially Brazil, South Africa, India and China—step up to fill the climate leadership vacuum?

In 1972, at the UN's first major environmental conference in Stockholm, then-Indian Prime Minister Indira Gandhi famously declared, "Poverty is the worst form of pollution." To this day, the Global South grapples with the challenge of pursuing sustainable development while promoting environmental responsibility. Many developing countries have long feared that climate policies might reinforce historical inequalities or constrain their growth. But now, the Global South has an opening to ensure that the international agenda reflects its priorities.

Many policymakers recognize the need for a change. While global cooperation has produced numerous important climate commitments, such as those made at the 1992 Rio Earth Summit and those contained in the 2015 Paris climate agreement, they remain largely unfulfilled. Moreover, financial support from the rich world has been well below what is needed, hindering climate action in developing countries, eroding trust in Western leaders and lowering global ambitions.

The Global South has no shortage of climate visionaries—from Wangari Maathai to Vandana Shiva and Chico Mendes—who have connected environmental protection with community empowerment. But the West has controlled the climate narrative for decades, as it dominates the science that informs the UN Intergovernmental Panel on Climate Change (IPCC), the multilateral development banks that provide climate finance and the global media outlets that shape public opinion. That is particularly true for the US. Despite its stumbles, such as when President George W. Bush withdrew from the Kyoto Protocol in 2001, the rhetorical ambition of other US presidents, including Bill Clinton, Barack Obama and Joe Biden, ensured that the West remained a leading voice in shaping the climate agenda, even when not matched by action.

Trump's resurgence has brought that era to an end. His administration has mocked climate science, propped up the fossil-fuel industry and denounced the UN's 2030 Agenda for Sustainable Development (to say nothing of his destabilizing trade war). The EU, weakened by the rise of the far right and preoccupied with bolstering its defences, lacks the political will and has fallen short of providing the economic means to lead on international climate cooperation and finance.

This wide collapse has shattered the idea of a coherent 'West,' if such a creature ever existed. But it could empower the Global South, which bears the brunt of climate shocks, to lead a more equitable and inclusive clean-energy transition. Despite short-term hurdles, in the long run, reducing fossil-fuel dependence—which is becoming more feasible now that renewables are more scalable and reliable—can help stabilize economies and improve public health.

Many Global South governments have already played key roles in shaping Sustainable Development Goals and the Paris pact. China has also become the undisputed global leader in green tech, outpacing the West in its shift to renewables. Facing US trade barriers, China's surplus of solar panels, batteries and wind turbines could be redirected to developing countries, strengthening their energy sovereignty.

There are signs that Brazil, India, South Africa and China are building on this foundation to forge a cohesive climate agenda ahead of the UN Climate Change Conference (CoP-30) in Belém, Brazil, which is focused on collective action, or *'mutirão.'* In April, Brazilian President Luiz Inácio Lula da Silva and UN Secretary-General António Guterres brought together 17 heads of state from the Global South and EU for a summit aimed at elevating national climate ambitions in the CoP-30 lead-up.

Brazil has also leveraged its Brics+ presidency to build momentum for CoP-30, creating a roadmap for expanding cooperation on energy security and establishing the Brics Laboratory for Trade, Climate Change and Sustainable Development. In early July, the Brics+ summit approved a Leaders' Framework Declaration on Climate Finance. Whether these initiatives will deliver tangible results is uncertain, given the divergent interests within Brics. For example, several members, such as Russia and the UAE, depend on fossil fuels.

South Africa is using its G-20 presidency to amplify African voices and push for debt relief, green industrialization and low-cost finance; it is attempting to address the structural barriers that prevent vulnerable countries from investing in climate mitigation and adaptation. With the right financial and technological support, the green transition can drive broad-based prosperity in the developing world.

The costs of clean tech have crashed, largely owing to China's industrial capacity, making some of the material conditions for climate leadership in the Global South more favourable. Moreover, China could finance decarbonization projects in other countries through renminbi loans, export credits and debt-for-clean-energy swaps. If successful, Brics+ members' de-dollarization efforts could overcome financial bottlenecks and reduce dependence on Western banks.

In today's fragmented world, multilateralism is essential and South-South cooperation on agreed climate targets offers a powerful platform to help revitalize it. The Global South is also well-positioned to lead plurilateral initiatives that advance climate solutions. These coalitions of the willing are crucial for countering the US administration's bullying tactics—namely, the use of trade negotiations to shift other governments' investment priorities and weaken their green policies.

Western countries must be held accountable at CoP-30 for their historic emissions and unmet climate-finance promises. But the summit represents a vital opportunity for the Global South to demonstrate that climate and development goals are not mutually exclusive. To seize it, these countries must subordinate their differences to their overriding interest in presenting a clear-eyed vision of an energy transition that uplifts their people and protects the planet.

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MY VIEW | THE INTERSECTION

# India isn't a global swing power but should aim to become one

*Here's the power test: Both China and the US should need India's support to pursue their interest*

**NITIN PAI**
is co-founder and director of The Takshashila Institution, an independent centre for research and education in public policy.

The past six months have shown that India is not a swing power. We could not deter China from providing active assistance to Pakistan during a military conflict. Our weight proved insufficient to dissuade the US from singling us out with atrocious tariffs. We have been shown the limitations of India's national power relative to the US and China. We must recognize this hard reality for what it is if we have to change course.

First, let us get the political blame game out of the way. We are where we are because the substance of our foreign policy for the past two decades has been consistent, even if the decorations were different. The trend has been towards closer partnership with the US, wariness of China and an enthusiasm for plurilateral arrangements, alongside the de-prioritization of subcontinental matters and the developing world. This became the dominant view of India's strategic establishment—both in New Delhi and elsewhere in the country—punctuated only by pro-Russian views that became stronger after Russia's President Vladimir Putin invaded Ukraine in 2022.

Whatever partisans might now say, there has been a bipartisan consensus on India's geopolitical strategy since the turn of the century.

In a world where the US is still the strongest global power and China is its challenger, it remains in India's interests for the gap between the two to remain large for as long as possible.

The reasons for this are so deep in differences of strategic culture between India and China as to be structural. The dispute over the Himalayan frontier is a tangible manifestation, a visible symptom of the underlying cause. "One mountain cannot accommodate two tigers," as a Chinese proverb goes, which suggests that a Sino-Indian bloc against the West can only come into being only once India stops being a 'tiger.' On the one hand, since we are unwilling to accept a subordinate status that China expects, the two countries cannot come together enough to challenge the West. On the other, India has an interest in creating a countervailing coalition to Chinese dominance in the region. To the extent that the US shares that interest, there is a case for an alliance with Washington.

It is therefore in India's interests to be a swing power: allied with neither, but able to have its way with either side by leveraging its own weight.

India is also in a position to be a swing power. Europe and Japan cannot swing because they are in a formal military alliance with the US. Russia has decided not to, perhaps because it too has reasons of strategic culture. Brazil and South Africa, other key members of the Brics grouping, happen to be outside the focal geography of the great power contest. Saudi Arabia remains an oil exporting economy and dependent on Washington for its security. India thus is the only state that is strong enough and autonomous enough to be a global swing power.

Just because it is in our interests and we are in a position to be one doesn't make India a swing power. To be effective India must pass two conditions: *first*, New Delhi must enjoy better relations with Washington and Beijing than they have with each other. *Second*, it must be able to demonstrate an ability to deliver both pleasure and pain to the two countries. In other words, winning India's support must become essential for them to achieve their policy objectives. Clearly, this is not only difficult but also a moving target. Not only must India's political economy be supportive, but New Delhi requires the appropriate policy capacity—diplomatic, military and in terms of trade and technology—to pull this off. We have fallen short on these fronts. A fundamental review of India's geopolitical strategy must answer how we will fulfil the prerequisites of becoming a global swing power.

I first made the case for swinging around 15 years ago in the wake of improved India-US relations and Beijing's increasing assertiveness. However, after Xi Jinping came to power and decided to shape bilateral relations on China's terms, it became difficult to sustain the swing power argument. How could India take sides with Beijing when its People's Liberation Army was pushing the envelope of China's ambition at India's expense? And how could India reject Washington's offer of a closer defence and economic relationship that strengthened India's ability to resist Chinese hegemony? External events made a pro-US tilt attractive. Maybe at some point, we crossed a line and became more dependent on the US than they on us. To be fair, though, it would have been considered ridiculous to hedge against the risk of the US pursuing policies that cause serious harm to its own interests.

Our response to the moment should be to wipe off the dirt and glitter from our realist lens and work out how to not just become stronger, but in the right places. It is obvious enough that New Delhi must improve ties with both Washington and Beijing.

*The less obvious and more challenging task would be to figure out how to* develop leverage and when to use it. And how to press on with this swing strategy even when it seems counter-intuitive, like it did in the past 10 years.

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THEIR VIEW

# Call a spade a spade: It's online gambling that's banned

YUGANK GOYAL

is professor in public policy and director of Centre for Knowledge Alternatives at Flame University.

Okay, first off, I am not a fan of the big state in general. If anything, quite the opposite. But then, I am not a fan of universalizing theories in social sciences either. Theories are seductive, empowering. But they're also like a hammer: if you grip them too tightly, suddenly everything looks like a nail. That is why it intrigues me that 'experts' have criticized India's ban on real money gaming, or gambling. Surely, these arguments spring from theory—the state shouldn't tell individuals what to do; we could lose dynamic efficiency, harm the entrepreneurial spirit and destroy value. These are familiar tropes.

So here's the truth. The state will always rule on morality. Seeds of all public policies germinate on one ethical ground or another. In fact, we vote governments to help reflect the preferences or will of society. Sympathy is central there. Those who rely on Adam Smith's *Wealth of Nations* will find it worthwhile to read his *Theory of Moral Sentiments*.

Also, policies are always works-in-progress. Societies and governments are complex adaptive systems, organizing through trial-and-error and learning by doing. Some years ago, a twist of law interpretation enabled online gambling as "games of skill." It grew, but then reality set in. The Indian state was learning fast: online games had become gigantic cash machines, most of which extracted idle money from low-income households. It snowballed into a mess that could not be overlooked.

Absent data, governments have to routinely rely on feedback from lawmakers. Across party lines, it was becoming clear that these games were ruining rural India. It was like a monster uncaged, with GST collections from gaming revealing the enormity of the phenomenon. They were draining generational savings, deepening debt, destroying families and trapping youth in years of anxiety. Gaming-related suicides grew. The stories were heartbreaking. No state, nanny or not, could ignore it.

The state tried many remedies: higher taxes, compulsory customer harm disclosures and attempts at clean fund transfers to prevent laundering and terror financing. It even released policies asking the industry to regulate itself, which the latter failed to do. Instead, all kinds of betting websites with dubious ownership mushroomed. No one was being held accountable.

Externalities justify state intervention. And the scale of one is contextual. Gambling in India has large spillover effects, stretching to parents, extended family members, friends and children. Even countries with high levels of individuality have strict laws and rules against gambling.

**There's poetic justice in calling out real money online gaming for what it is and acting against it**

In countries like India with weak state capacity and remedies, prohibition is used more often than regulation. This may be hard to digest, but it needs to be understood. Without a strong regulatory apparatus, gains made by some cannot be used to override losses made by many more, and if the numbers are not evident, policy will tilt in favour of preventing the harm done (theory lovers could look up 'prospect theory' and the 'precautionary principle'). Prohibition tends to push the undesirable activity underground, no doubt. But it reduces the scale considerably. No prohibition can be 100% successful; in fact, enforcement costs rise exponentially as we approach the last obsessed violators. But enough people are dissuaded.

There's another reason for prohibition here. The law has an expressive function (Cass Sunstein and Richard McAdams show this), which means that it signals what is socially acceptable or not. When something is allowed or disallowed by law, people interpret it as collective moral approval or disapproval. This can induce norm cascades: mass shifts in perceptions or practices in line with what the state wants. That's why banning gambling (whose harm is not clear to every user) is arguably more consequential than banning tobacco (whose harm is obvious to every smoker). Lack of clarity on what amounted to gambling, especially in the case of games pretending to be tests of skill, had let the activity proliferate. Users didn't think they were doing anything illegal, reassured by omnipresent ads and celebrity endorsements. Perceptions of safety began to be internalized. Why would a security guard, say, feel nervous placing online bets? Ads showcased auto drivers, maids and street vendors at it—the target audience, presumably. Who bears responsibility for choices that drive families into debt? For public health, we accept state regulation of food; likewise, to ensure the financial safety of the poor, the state must have a say in gambling.

Those who idolize entrepreneurship and see it as a goal in itself must read William Baumol, a foundational figure in the economics of entrepreneurship. His highly cited 1996 paper, 'Entrepreneurship: Productive, unproductive, and destructive' uses evidence from ancient Rome, early China, the Middle Ages and Renaissance Europe to show why policy should be designed to influence the type of entrepreneurship we want: startups that thrive on driving innovation, productivity and social welfare, rather than those that seek rents, monopolistic privileges or profits from activities that damage trust. Gambling startups are anything but productive.

Elites that want the ban lifted will not be happy if they found their children addicted to online games. That's the ultimate test. Let's call a spade a spade—in an irony of poetic justice.

# Evaluate people by their worst qualities, not their best

MANU JOSEPH

is a journalist, novelist and screenwriter. His latest book is 'Why the Poor Don't Kill Us.'

People evaluate actors, singers, writers, directors and sports stars through their best works, even when such works are very few. Some artists are celebrated for a single work; the status of V.V.S. Laxman as a cricket legend rests on a single Test inning. The glory of major public figures comes from their finest moments, not their worst. Even intellectuals evaluate other intellectuals through their best work, while ignoring all the bad stuff.

There is something correct, sensible and generous about this. And it would appear that this is how one must evaluate those who play a role, or will play a role, in our personal or professional lives. We should think the best of a person, consider all that is great about the person and ignore what is rotten. In fact, this is how most people think about family and friends. And this is also the very source of all their miseries.

In evaluating a person who is or would be family, friend or collaborator, one has to consider the worst qualities as the defining characteristics of that person. This may seem like an abstraction, until it leads to a violent tragedy, as in the case of the death of a young woman in Noida a few days ago from severe burns. We do not know yet whether she was set ablaze by someone in her home or if she killed herself. There is no doubt, though, that she was tormented.

She faced a classic problem that many young women in India face, where their in-laws and husbands make many material demands and the bridal side yields to them, assuming that things will get better. But the harassment continues. In this specific case, the husband also appeared to be uncomfortable with his wife's desire to run a beauty parlour and her social media fame.

As familiar as all this is, so is the fact that the girl left her husband and went back to her parents more than once. But the husband always persuaded her back. Indians attribute this act of going back to a home filled with people who are capable of cruelty to the compulsion many women feel to stay in a marriage. There might be some truth in that, but not so much that we should frame it that way. The act of returning to cruel people usually emerges from the hope that such people may change.

People who have some evil inside them are often quite persuasive and charming, perhaps because compared to their worst qualities, their ordinary niceness seems like a spectacular virtue.

But they usually don't change. A person who is capable of cruelty—whether a simple form of cruelty, like in this case, or a more sophisticated kind that involves manipulation and making things unpleasant to teach someone a lesson—has been this way for long and wishes to be so.

**The capacity for cruelty that some people have should make us rethink our generous assumptions**

I mentioned the case of the young Noida woman's death because the dramatic impact of the phenomenon is evident only in violent death. Otherwise, it would appear odd that I am asking you to think the worst of people and not give them a long rope for the sake of an abstract argument.

But what most victims endure is something just short of death. Most cruel people are not murderers. The most prevalent and dangerous form of evil is a certain ordinary evil that exists in many people who are also excellent at apologizing.

The boy who hits his girlfriend and is remorseful will do it again, expressions of remorse included. The cruel parent will endure. The punishing spouse will find moral reasons to continue.

Most cruel people do not do anything extreme or criminal. That is how they survive. They get that long rope because people are under the assumption that we must think the best of people and not the worst.

I like the modern expression 'red flag.' It is usually used in retrospect as something that you should have seen but overlooked. A 'red flag' contains within it the idea that a single incident is a window to a person, or of dark things to come. It suggests that incidents never exist in isolation. But the most interesting thing about the term is that people invoke it only when it is too late. This is because of hope, which again is among our most celebrated qualities.

I am a fan of hope, and a lot of good can come of it. But in some aspects, like in the evaluation of a person who matters, hope is a form of sadness, just another way of speaking to oneself. But should a single act of cruelty be so unforgivable? Can't people become better people?

Cruelty has advantages. People who can act on their cruel ideas have enjoyed its effects for too long to change. Also, the idea that people reform because of the force of goodness is the propaganda of those in the industry of reformation.

Cruel people do become less cruel or even completely benign, but only once they lose power—for instance, when they age. That is why the world is filled with sweet old people.

People judge their own lives by how they end. In their professional estimation, especially, they are oddly harsh on themselves. They evaluate themselves by what they have failed to achieve, especially successful people as they struggle to move on to the next rung. As a journalist, I haven't met a public figure who did not have a sense of failure, except Sachin Tendulkar, although that's only because I met him when he was at his peak. But they are more generous to others, seeing only what is best. They extend this long rope in their personal life too, willing to see failings as temporary.

But, maybe people should err in favour of caution and not the sadness of hope.

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Q1 growth rate shows a measured, targeted response will be the best answer to tariff-induced pain

# Not Time for Trump Card

Mythili Bhusnurmath

'Age is just a number. It's totally irrelevant unless, of course, you happen to be a bottle of wine,' said Joan Collins. One could say the same about Q1 (April-June 2025) GDP numbers released by NSO last week.

The 7.8% growth rate is just another number, quite—if not totally—irrelevant for aam aadmi. Except that, unlike wine, there's no certainty it will get better with time. Also, it is far from irrelevant for either GoI or RBI. Do nothing—why should they when growth is at a five-quarter high—and they could be slammed for sleeping on the job if growth slows in the coming months. Act in haste (read: roll out a package to support growth) and there's the risk of breaching the fiscal deficit target (4.4% of GDP), increasing public debt and stoking inflation.

In some ways, the scenario today is worse than during Covid. Then, there was near unanimity that monetary and fiscal authorities would need to lower their guard to ensure growth didn't stall. There is no such unanimity now. For one, there is no certainty about the impact or duration of Trump's tariffs. And unlike in the Covid years, when all countries were impacted, today everything depends on whether you are a friend or foe—not of the US, but of Donald Trump.

Move cautiously

If you are Brazil, for instance, you are unambiguously a foe. Given the Brazilian economy's reliance on the US and its dependence on the export of a single commodity—oil—Lula da Silva's task is clear-cut: an across-the-board stimulus.

But what if you are India—sometimes friend, at other times foe, but with the prospect of becoming friends again? Within hours of the 50% additional tariff on Indian exports to the US kicking in, both countries indicated they were working towards resolving their differences on the issue. In such a scenario, faced with a whimsical POTUS, how should our fiscal and monetary authorities react?

**Despite pressure, the PM has protected farmers.** He could use that as an excuse to push farm reforms

The answer: with caution. For now, the economy is on a strong wicket. Agreed, NSO's GDP numbers are for the first quarter, before the impact of Trump's tariffs had been felt. But the finance ministry and RBI's recent monthly reports also testify to the resilience of the economy—a fact acknowledged by S&P, which upgraded India's sovereign rating after an 18-year gap in August.

The next quarter, too, is likely to be good, thanks to a bump-up due to the base effect (low growth rate of 5.8% in Q2 FY25), front-loading of shipments to beat the August 27 deadline for the imposition of 50% tariffs and higher consumer spending during this year's earlier-than-usual festival season.

More importantly, any support package comes at a cost. The Covid stimulus package was unavoidable. But we paid a heavy price in terms of higher inflation and a higher fiscal deficit in the years immediately after. So, while it is true India cannot continue to grow rapidly when the global economy is slowing, remember: the pain of US tariffs will not hit all sectors equally. Accordingly, we must respond in a measured fashion.

**The 'comprehensive support' promised by FM** must be targeted only at sectors that are directly impacted by US tariffs

It's not yet time to fire the Brahmastra. Instead, the 'comprehensive support' promised by Nirmala Sitharaman must be targeted only at those sectors that are directly impacted. Barring the sectors exempt from tariffs—pharma, smartphones, and oil and gas—the share of exports affected by tariffs is not significant relative to the size of our $4 tn economy. But job losses are likely to be large, as sectors most impacted are also more labour intensive. So, the effort must be to support them—selectively.

True, no sector is entirely immune from the impact of higher tariffs. But if that's going to be the new normal, we have no choice but to make the best of it. Exporters will have to look for new markets, corporates will have to live with lower profits, aam aadmi will have to live with higher inflation and stock markets will have to get real. Finally.

At the same time, to the extent that a growth slowdown is best addressed through fiscal rather than monetary policy, this is an opportunity to pursue the more difficult reforms that successive governments eschewed for fear of upsetting the applecart (read: losing popular support).

Labour and farm reforms fall in this category. The PM has promised an 'arsenal of reforms': GST reforms (by Diwali) and cash benefits for those joining the job market for the first time. Moves like rationalisation of GST—reducing from four to two rates—were, in any case, overdue. Despite pressure from Trump, the PM has gone out on a limb to protect farmers' interests. He could use that as an excuse to push ahead on farm reforms.

'It's an ill wind that blows nobody good,' said John Heywood, referring to a sailing metaphor—that a wind that is unlucky for one person could bring good fortune to another. With some luck, Trump's tariffs may well be the ill wind that proves unlucky for the world but brings good fortune to India!

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The Times They Are A-Changin': Iconic American Singer-Songwriter Finally Bags Lit Nobel

"But as far as songwriting, any idiot could do it... Everybody writes a song just like everybody's got that one great novel in them."

"From Orpheus to Faiz, song & poetry have been closely linked. Dylan is the brilliant inheritor of the bardic tradition. Great choice"

"Want to thank him for influencing three generations with his songs, transporting people from their crazy lives to an alternate world"

SWEDISH ACADEMY PRAISES DYLAN'S POETRY FOR THE EAR

AROUND THE WORLD ›› 17

Let Him Be

# Keep Sand at Hand as Strategic Resource

Sand, the world's second most-consumed natural resource after water, often escapes scrutiny because it's seen as 'cheap' and 'abundant'. Yet, unchecked sand mining carries serious socioeconomic and environmental costs. Last week, in a welcome ruling, the Supreme Court underlined this fact and said that no approval can be granted for mining in a riverbed without a proper scientific study to assess how quickly the sand is naturally replaced. It described this 'replenishment study' as a mandatory requirement, upholding a National Green Tribunal (NGT) order that had cancelled the 2022 environmental clearance for a mining project in J&K.

Illegal and excessive sand mining isn't unique to India. Across Asia and Africa, it destroys fishing grounds, farmlands and homes, increases water salinity and devastates ecosystems. Reduced river sediment leads to shrinking deltas, leaving communities vulnerable to flooding, storm surges, loss of land, contaminated water and crop damage. Sand mafias have long exploited this resource, often violently. Despite bans on unlicensed mining, these gangs operate with impunity.

The world consumes nearly 50 bn t of sand and gravel each year. Modern civilisation depends on this unassuming resource. Its grains are bound to build skyscrapers and can be broken down to produce microchips. Some of the US' greatest fortunes were built on this precious granular material. Henry J Kaiser, one of the wealthiest industrialists of 20th c., got his start selling sand and gravel to road builders in the Pacific Northwest. But despite its ubiquity, usable sand is finite. Desert sand, shaped by wind, is unsuitable for construction, making it scarce. India must treat it as a treasure, a strategic resource, not trash.

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# Tread Cautiously on Inflation Targeting

## Gradual fixes better than bold new shifts

RBI has put up four questions for discussion ahead of next year's review of the inflation-targeting framework it follows. It wants to know whether retail or core inflation should guide monetary policy. Central banks typically lay greater emphasis on core inflation, excluding volatile food and energy prices, which policy has greater influence over. RBI has, however, not been able to look through food inflation, and making a switch from CPI could explicitly transfer some of the job on to GoI. This blurs the line between monetary and fiscal policies and presumes that they always act in concert. It may not be in the best interests of an independent monetary authority, although the situation on the ground requires GoI to initiate supply-side measures to tame episodic food and energy inflation.

The second question is whether the inflation target should remain at 4%. This derives from RBI's ability to focus exclusively on core inflation, in which case a lower target can be set. But that may not yield optimal inflation targeting because agencies not tasked with price stability must deliver synchronised outcomes. Progressive lowering of the inflation target should be linked to product market efficiency as well as capital flows.

The other two issues—whether inflation-tolerance bands need to be altered and whether the fixed target should be replaced by a range—have more to do with the conduct of monetary policy. The existing framework provides ample leeway to RBI in explicit inflation targeting, and moving too far away too soon from identifiable outcomes may be uncalled for. RBI has only once had to explain its policy conduct when inflation stayed above the permissible level for a stipulated duration. This was against the backdrop of extraordinary circumstances and has not unduly damaged its institutional repute. Gradual changes can build on the gains of RBI's existing inflation-targeting framework.

01 Sep 2025


# Tariffs Must Spark Reforms

**Anant Goenka**

Donald Trump has done what Indian policymakers have often struggled with—create urgency for deep structural reform. By slapping a 25% punitive tariff on Indian goods over purchases of Russian oil—on top of an earlier 25%—he's raised export duties to 50% for key sectors like textiles, leather, engineering goods and chemicals. For some exporters, the US market became unviable almost overnight.

A 50% tariff shock of this scale could shave 0.2-0.4 percentage points off GDP growth, risking a slip below 6% mark. While India's current growth of 6.5% reflects resilience and dynamism, the real opportunity lies ahead. To shield ourselves from future geoeconomic shocks, India must break into a sustained 8-9% growth trajectory. Achieving this requires more than incremental measures. It calls for transformative policy action.

India now has a choice: treat this as a routine trade issue to be managed through diplomacy or leverage it as a catalyst for economic transformation—one that reduces overdependence on any single market and builds resilience against global disruptions.

This is not just about tariffs; it is a once-in-a-generation opportunity to strengthen our fundamentals and rewrite our economic playbook. The world is rebalancing supply chains, and India is better positioned than ever to seize this shift. With the right reforms, we can attract large-scale investments, empower our MSMEs and position ourselves as a global hub for manufacturing and services.

A decisive part of the answer lies in significantly improving ease and costs of doing business, not just nationally, but also at the state level. Competitive federalism must go beyond investment summits and translate into action. Greater coordination between states and GoI through harmonised regulations, model laws and unified digital systems would make India a truly integrated market.

Continued reform through scrapping outdated laws and further decriminalisation of minor non-compliances (as initiated under Jan Vishwas Act) must become the norm. Self-certifications should be the default for low-risk, unchanged operations—cutting compliance friction overnight without compromising safety or environmental standards.

Power and labour remain critical cost drivers across industries, making them crucial to industrial growth. Phasing out power cross-subsidies that burden industry with higher tariffs—while protecting vulnerable consumers through direct benefit transfers—would boost manufacturing competitiveness. Introducing responsible labour flexibility—hire-and-fire provisions balanced by portable social security and skilling—will help MSMEs scale and attract manufacturing FDI while safeguarding workers.

In the short term, India must keep its exports afloat and diversify its markets. Industries most exposed to US tariffs will require targeted credit support to survive the immediate shock. Simultaneously, we should accelerate trade talks with the EU, Asean, African and Latin American countries, and make better use of FTAs we already have with partners like Asean, where utilisation remains sub-optimal.

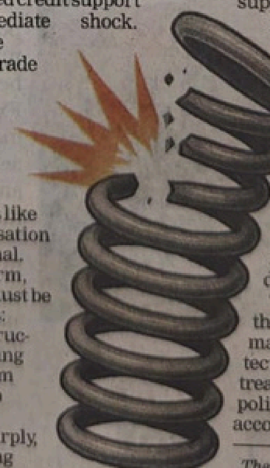
In the medium term, competitiveness must be built on two pillars: people and infrastructure. Public spending on education—from primary schools to doctoral research—needs to rise sharply, aligned to emerging industries like AI, green energy and advanced manufacturing. Industry, academia and government must coordinate on skill development, as critical sectors face shortages of highly skilled talent even while unemployment remains high.

Equally important is the need to grow beyond the usual 6-8 metros by developing high-quality growth clusters. Greater urban transport and housing infrastructure, cleaner air and water, and improved quality of life will help retain talent and stem the brain drain. Female labour force participation must also rise meaningfully, supported by return-to-work programmes for women after motherhood, safe workplaces and affordable childcare.

Tourism is another powerful lever for rapid jobs creation and forex earnings. With targeted steps like expanding e-visas, improving last-mile connectivity, and marketing India's cultural and medical tourism strengths, we can unlock quick, wide-ranging growth.

In the long term, India must make early bets on strategic technologies—green hydrogen, rare-earth mineral processing, quantum computing—instead of waiting for others to consolidate their lead. In semiconductors, batteries, and advanced materials, domestic supply chains must be built to reduce import dependence. A sovereign technology fund can back high-risk, high-reward R&D with clear commercialisation paths. We should also identify underpenetrated country-sector combinations where Indian exports are currently minimal but have high potential and align industry support accordingly.

Trump's tariffs are a reminder that the era of near-universal market access is over, with protectionism on the rise. India must treat trade policy and industrial policy as inseparable, and act accordingly.



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*The writer is vice chairman, RPG Group*

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