

Back to the future

In his first week in office, Prime Minister Narendra Modi abolished all groups of ministers (GoMs). Nearly 100 such groups had been set up by the Congress-led United Progressive Alliance (UPA) during its 10-year tenure as a preferred route for building consensus on a variety of thorny issues or dithering on those that were important but not urgent. While the groups did serve their purpose up to a point, they also became a potent symbol of the policy paralysis that gripped the UPA in its second innings. Scrapping about two dozen such groups on issues on which a final decision was still pending was seen to be a reflection of Mr. Modi's commitment to the 'minimum government, maximum governance' promise.

Ministries were to process issues pending before such groups on their own, and if they faced difficulties, seek help from the Prime Minister's Office and the Cabinet Secretariat, thus expediting decision-making and ushering in 'greater accountability in the system'. However, in recent months, be it the strategic sale of Air India or other public sector units, bank mergers or labour reforms, the Cabinet has preferred to create a ministerial group to sort out the nitty-gritty. The term 'alternative mechanism' has been deployed instead of GoM. The Air India Specific Alternative Mechanism (AISAM), for instance, may have a better ring to it, but clearly there has been a realisation in the BJP-led National Democratic Alliance (NDA) government that such groups are effective for certain decisions. After all, the Atal Bihari Vajpayee government also used such groups as well as the Cabinet Committee on Disinvestment to push through some of its biggest decisions. The Goods and Services Tax (GST) Council has also formed two GoMs and several committees of officials to resolve the hurdles that have come up so far in the new indirect tax system.

Late September, Mr. Modi [re-constituted the Economic Advisory Council](#) to Prime Minister (EAC), another institution suspended since May 2014, amidst a growing debate on the government's alleged mishandling of the economy. With a little over six full quarters to go before the Lok Sabha elections, the challenge for the Council is to bring something to the table that can possibly push a quick enough revival of the economy, and perhaps suggest a course correction for reforms such as the GST that seem to be inhibiting industrial activity. A lot will depend on what the Prime Minister turns to them for advice for and what he doesn't. Would he, for instance, have consulted such a body about demonetisation's pros and cons? As an independent body to counsel the government, and more specifically the Prime Minister, on economic and related issues, its formation is a major signal that the government is aware of the state of the economy and is willing to seek professional help. Mr. Modi said as much on October 4, when he urged the people to keep their chins up rather than be swayed by a single quarter growth blip, while promising that steps would be taken to address the woes of specific sectors like exporters and small enterprises.

It is not clear why the government waited for more than three years to rejig the EAC, which was neither a body unique to the UPA (like the National Advisory Council led by Congress president Sonia Gandhi) nor a socialist era vestige (like the Planning Commission). While Manmohan Singh, as Prime Minister, did entrust the EAC with analysing critical policy dilemmas such as the food security legislation, sugar or petroleum pricing and even Jammu and Kashmir's development, the EAC's prominence was actually at its peak under the previous NDA government, with Mr. Vajpayee himself chairing it.

Recently, over dinner and Powerpoint presentations, Mr. Modi met almost 400 young entrepreneurs and CEOs to brainstorm on a range of themes around challenges facing the country. This initiative, termed [Champions of Change](#), would be institutionalised in the best possible way, Mr. Modi said. Few may have realised that such an 'institutional' mechanism for dialogue with industry also marks a resurrection of sorts of the erstwhile Prime Minister's Council on Trade and Industry. It used to be a forum for top corporate leaders to flag issues frankly with

the top echelons of government. Towards the end of UPA's second innings, its members were quite brusque in berating Dr. Singh and his government for the sputtering reform momentum and slowing growth, and their comments routinely hit the front pages of pink papers.

It is heartening that the Prime Minister, well known for his hands-on management style from his days as Gujarat Chief Minister, has maintained an open mind in eventually embracing administrative mechanisms that he didn't feel the need for at the beginning of his tenure. The effectiveness of these groups and councils will, of course, depend on how receptive the government is to their inputs and the systems that are put in place for their functioning — whether it be the periodicity of meetings or meaningfully navigating the noise of advice that might pour in from hundreds of CEOs, for instance.

At its first meeting this month, the EAC agreed there is a slowdown underway, but didn't reveal the reasons behind it nor gave a diagnosis of how deep-rooted the problem may be. These details, we were told, will only be shared with the Prime Minister. While this may seem like an attempt to dodge the obvious explanations offered by economists such as lingering effects of the note ban that would be embarrassing for the Centre, there is a more structural reason for the Council's silence.

While Mr. Modi has persisted with three of the four terms of reference that were assigned to the EAC by the UPA, he has dropped an important one: submitting periodic reports to the Prime Minister on macroeconomic developments and issues with implications for economic policy. So, unlike the previous EAC, there are unlikely to be any regular reports taking stock of the economy and its growth outlook, at least in the public domain. The last report from the Prime Minister's EAC, published in September 2013, had revised its growth projections for 2013-14 downward from 6.4% to 5.3% — in light of a weak first quarter growth of just 4.4%. What would the new EAC say about growth prospects for this year after a tepid first quarter? If the EAC were to prescribe a quick fix for the economy, how quickly could the government implement it if only the PMO is privy to its ideas?

According to Coal and Railways Minister Piyush Goyal, one of the three governance mantras the Prime Minister gave him in May 2014 was to be as transparent as possible. With worries about the economy gathering pace, airing the EAC's views formally over fixed intervals of time would help flag as well as allay emerging concerns and stir a healthy debate on policy options.

That the government is beginning to listen to advice that goes against policy choices it has defended spiritedly is evident from its recent decision to lower excise duties on petroleum products, albeit by a token 2 per litre. While Ministers had previously reacted sharply when questioned about their persistence with high petro taxes, in the end the government did blink just ahead of the Reserve Bank of India's monetary policy review this month.

That the government is willing to correct course after denying the existence of a problem or dabble with ideas it had dismissed without trying — as seen in the matters of GoMs, GST or petrol taxation — is a critical and under-recognised positive for the economy's prospects. As for the EAC, which has decided to focus on ten priority areas (including economic governance structures) to accelerate growth and job creation over the next six months, its views are expected to help formulate the last full-year Budget for the NDA due in February. It would be instructive to know how the Council views the need for transparency and clear communication while governing the economy, as opposed to deploying hyperbole about being a has-been and will-be fastest growing economy every time an inconvenient number is thrown up. But perhaps, we will never find out.

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