

## Time to divest hundreds of Lutyens' Delhi's sprawling bungalows & accommodate politicians in apartments

JUNE 12, 2021

By TIOL Edit Team

### THE

Idea of monetizing central fiscal deficit is gaining traction in the country. Union Finance Minister Nirmala Sitharaman has added to the buzz with her open-minded stance on the issue disclosed in an interview with the Business Standard published on 5th June 2021.

Asked whether *you are "thinking about monetization of the deficit"?* She replied: "

***I don't have anything on that at this point. I'm in touch with the regulators. But it's not a binary or a bubble that I have to panic.***

Monetization idea was brought to the centre-stage last month by Uday Kotak, Managing Director and CEO, Kotak Mahindra Bank Limited. As outgoing President of Confederation of Indian Industry, Mr. Kotak told NDTV:

***"In my view, this is the time to expand the balance sheet of the government, duly supported by the RBI (Reserve Bank of India)... for monetary expansion or printing of money. Time has come for us to be doing some of that... If not now, when?"***

He pitched for putting money in the hands of the poor through direct cash transfer and for investments to generate employment.

Nobel laureate Abhijit Banerjee too has favoured idea of printing money by Reserve Bank of India at the behest of the Government. In an interview with Times of India on 30th May, Dr. Banerjee said:

***"I have been in favour of printing money, even in India, for some time. It just seems to me that it was something that we could have done in the first wave and it would have saved us a bunch of pain".***

Dr. Banerjee continued:

***"I think we should absolutely do it. We need resources to support the poor as well as to deal with a bunch of potential defaults on loans--the latter was avoided in the first wave by some government credit guarantees. Plus we need the resources to buy enough vaccines. This is the ideal moment to do that. And my guess is that the government is unnecessarily scared by the bond market's possible reaction. I would have thought that stimulus is actually a good thing as it would increase government revenue, and that's a useful thing from the point of view of anyone worried about how secure the loans are".***

On 10th June, NDTV quoted him as saying:

***"In France, everyone who lost their jobs is being supported by the government. The European Central Bank is known to be very conservative, yet they went with doing whatever it takes. They actually printed money to distribute it."***

Other experts believe that the Government should not order RBI to print more cash to bail out the Government and the economy from tsunami of poverty, unemployment, malnutrition and ruined businesses. Former RBI Governor, Dr D Subbarao, for instance, says:

***"The central bank can directly print money and finance the government, but it should avoid doing so unless there is absolutely no alternative, while pointing out that India is 'nowhere' near such a scenario".***

Monetization is fraught with risk of inflation that ultimately builds pressure to devalue the domestic currency. Nevertheless, it can be exercised in a limited way to ease miseries of covid and lockdown-battered sections of the society. Moreover, it does not curtail Government's autonomy, unlike in the case of International Monetary Fund (IMF) loan.

Monetization is one of the three major options to revive cash-strapped economy. The 2nd option is a big-ticket loan from IMF with stringent conditionalities thrown in. The conditionalities might include enhanced fiscal transparency and accountability including setting up of an independent fiscal council.

Yet another option, which comfort-loving politicians would detest, is to divest hundreds of Lutyens' Delhi sprawling bungalows. These unproductive but highly valuable assets are status symbol of Neta-Babu *biradari*. They can easily be accommodated in apartments that can be built within sprawling President's estate. The ruling class is in no mood to sacrifice its luxuries as is evident from its defence of multi-phase Central Vista project.

Lutyens-type luxury zones exist in the State capitals. All such prime real estate can be unlocked to raise cash for capital investments and public welfare. Heaven won't crash if rulers learn to live in apartment complexes in the national interest.

Such disinvestment is better than sale of family silver - blue-chip public sector enterprises. Their sterling role in managing the second covid wave should make Government rethink of their divestiture. Unlocking of prized real estate, meant for comfort of rulers, is the safest and easiest option to exercise. It just requires the political will to make sacrifices for the Nation.

At present, the non-tax and tax revenue of both the Centre and States continues to be below par due to intermittent lockdowns since the start of pandemic in March 2020. Unprecedented contraction of economy in 2020-21 and dimming prospects of healthy recovery in 2021-22 call for extra-resource mobilisation to reduce all-round miseries.

Even the most optimistic, projected 9.5% growth in real GDP in 2021-22 implies economy pulling itself out of ditch to the surface. Such performance would be woefully inadequate to solve burning issues.

The Government has already forced all entities to dip into their savings to sustain businesses or daily life as the case may be. The poor are becoming poorer and lower middle-class is being turned into a new class of poor. Unemployment is soaring.

The conventional option of Centre and States borrowing more from the capital markets cannot be exercised beyond a point. It is fraught with risk of crowding out private sector borrowings, thereby impacting growth. Moreover, the public debt (Centre and States total borrowings combined) is already unsustainable. It might fuel inflation and additional depreciation of Rupee against hard currencies.

No option appears as an easy and safe option in the prevailing turbulent and uncertain economic situation. As put by RBI Governor Shaktikanta Das on 4th June after a meeting of Monetary Policy Committee (MPC),

***"Tough times call for tough choices and tough decisions to emerge triumphant".***

We hope the Government understands the gravity of socio-economic crisis and does not let the situation linger on. Whatever the choice, it must be exercised to ease the miseries of the poor, reverse unemployment and business failures, especially in the small services enterprises extending from small shops to five-star hotels.