

Modi 2.0 can't be more reformist than Modi 1.0, says Martin Wolf

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The government that comes to power after the general elections due in April-May may not be able to carry out radical reforms like the present one, even if Prime Minister Narendra Modi returns to power, Martin Wolf, chief economics commentator of UK's *Financial Times* newspaper said in an interview on Tuesday.

"In my experience, governments are less radical in the second term than in the first term. My assumption is another term for this government would not be one of radical reform and certainly my expectation is if the opposition were to win, same would be true, perhaps even more so," said Wolf, who was in New Delhi to deliver the 7th C.D. Deshmukh Memorial Lecture organized by the National Council of Applied Economic Research.

Wolf said the last four and half years of the Modi government has been more of continuity than a break from the past. "Many people wrongly expected the government to be more radical than it has been. Some people believed there would be a lot of privatization and more trade liberalization. The attitude of the government has been quite inward-looking. So, it is very recognizably the old India."

However, Wolf said he is not particularly disappointed as he never expected the Modi government to carry out radical reforms though it had a huge majority in the lower House. "This is a pretty 'small-c conservative' country (one that believes in the philosophy of conservatism, but does not



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Martin Wolf, chief economics commentator of *Financial Times*.

necessarily identify with an official conservative party) with huge vested interests. India is a large, complex democracy and, by and large, democracies do radical reforms only when in crisis."

On the economic challenges before India, Wolf said in the short run the world environment may remain more difficult. "The government must completely finish restructuring and recapitalizing the financial sector. If you get stronger banks with lower interest rates, I would expect to see investment and growth to pick up," he said.

Wolf said India might have missed the bus on following an export-driven growth model such as that of China. However, he said India has the advantage of being a large and low-wage economy. "You would need radically different policies in labour and infrastructure to take advantage of industries from which China is moving out. Though the China

(model) is not replicable, yet India can do a lot because it is 25 years behind," he said.

On the tussle between the Reserve Bank of India and the central government over the former's capital reserves, Wolf said he surprisingly finds himself in agreement with the government. "I don't believe the independence of the central bank depends on the equity capital it holds. The rather important issue for the central bank is operational independ-

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ence. Ultimately, the equity belongs to the government. The central bank does not really need capital because nobody is going to wind it up. It prints money, it does not get bankrupt," he said.

Wolf also argued that he had never been persuaded by the argument that India gains much being a developing country and insisting on special and differential treatment at the World Trade Organization as it only allows India to continue with bad policies.