

THE ECONOMIC SURVEY THAT WASN'T

Relevant for: Indian Economy | Topic: Effects of Liberalization on the economy, changes in industrial policy and their effects on industrial growth incl. Economic Reforms

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The Chief Economic Adviser at a press conference in New Delhi | Photo Credit: PTI

It is generally acknowledged that [the Budget of 1991](#) which was presented by the then Finance Minister, Dr. Manmohan Singh, is one of Indian economic history's landmark events. The Budget is still widely lauded by neo-classical economic commentators because it marked a structural shift in India's economy away from the hands of the government to the hands of private enterprise, and embraced free trade. That was the prevailing wisdom then, dubbed as the 'Washington Consensus'.

Three decades later, many developed economies, including America, Britain and Germany, are now reversing course to economic nationalism and increasing the role of government in their economy through industrial policy, ostensibly as a response to China's economic might and a weaponisation of trade. This is a profound shift in economic thought — and perhaps the greatest symbolic victory for China's economic model — that has forced the 'Washington Consensus' champions to back-pedal.

In this context, what should India's economic strategy be? Should India too revert to increased state control of the economy through an active industrial policy? In which case, should India exercise greater control over the exchange rate of the rupee? And impose trade restrictions? The Russia-Ukraine conflict has had enormous geo-economic consequences by recreating a stark bi-polar world order of a China/Russia bloc vis-à-vis western bloc of nations. How will India's economy be impacted by this, especially as we seem to have harked back to bi-lateral currency arrangements with Russia for trade, abandoning the dollar? These are all questions that are immensely important and imminently urgent, calling for serious discussion and debate among policy thinkers and makers.

The [Economic Survey](#) presented by the Chief Economic Adviser a day before the [Union Budget](#) has typically been the medium to raise issues for public discussion and ponder over such strategic economic matters. At least, that has been the case over the past decade or so. Surveys of the previous years had put out various ideas and issues such as universal basic income, economic divergence among States, steps to improve property tax revenues using satellite technology, new ways to calculate inflation using the Indian thali, estimating internal migration of people and so on. Many of these may not have even been fully fleshed out or well-researched policy ideas, but at least served as an intellectual public good by triggering a debate and forcing policy influencers to think about these issues.

Disappointingly, the Economic Survey of 2022-23 did not provoke any such deliberation or discussion. It is a rather dry compilation of data to substantiate the Narendra Modi government's economic performance. The Economic Survey has 66 tables and 246 charts with cherry-picked data points (e.g. fig. II.8) that seek to portray a stellar image of the government's economic management and blame the previous regime for all ills, which is perhaps an occupational hazard and an inevitability in the current climate of politics and government. But the Survey had some new and interesting data — on the housing market, digital infrastructure, etc. — and putting out such copious amounts of economic data in the public domain in itself is a yeoman service to be appreciated.

Unlike previous years, this year's Survey has only one volume and also a separate 'Highlights' volume that lays out the key messages creatively and simplistically for a larger audience. The broad story is that the Indian economy has recovered from the novel coronavirus pandemic but is still at the mercy of global geo-political developments; and so the Economic Survey has been honestly cautious about future growth and inflation. Unsurprisingly, it has painted a rosy picture of both Goods and Services Tax (apparently because it has improved tax buoyancy) and of the corporate tax cuts of 2019 (because it seemingly helped clean up bloated corporate balance sheets). The chapter on the social sector has delved deeper than previous surveys have done into issues of employment, rural wages, demand under the Mahatma Gandhi National Rural Employment Guarantee Act and other important human capital topics supplemented with vast amounts of data. But an analytical discussion on the employment intensity of contemporary economic growth models and ideas to boost job creation is missing. Instead, the chapter inexplicably concludes that the 'PM's Minimum government Maximum governance vision will hold the key to equitable economic growth', sounding like a Bharatiya Janata Party manifesto.

The Survey rightly exults over the increase in government capital expenditure from 12% of total expenditure in 2014 to 19% now. With much global uncertainty, tepid corporate investment and precarious asset markets, the emphasis on public capital expenditure to boost the economy is prudent and wise. On private sector investment, it waxes eloquent about manufacturing and Production Linked Incentive schemes with grandiose but unsubstantiated claims of attracting 3 lakh crore in capital investment and generating six million new jobs in the next five years.

Like the government of the day, the Economic Survey also suffers from the 'take credit for the rains but blame nature for the drought' malaise when, for all the 'Make in India' hype, manufacturing gross value added (GVA) grew only at 4% (real) even before the pandemic hit, which it blames on corporate 'indigestion' from too much debt accumulated during the previous regime.

Yet, it is neither unreasonable nor unfair to have expected a little more intellectual acuity into some of the pressing economic issues of trade, industrial policy, capital account and inequity that the whole world is ruminating over now. More so because the Chief Economic Adviser is eminently qualified and wise, who would have thought deeply and formed an opinion about the direction that India should take in the current crossroads of economic strategy.

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The Economic Survey is really the only medium in the country for a rigorous, thoughtful and nuanced discussion of new economic ideas. Perhaps it was a deliberate and intentional move to stick to data and facts to provide a report card of the government's economic performance, and not a doctoral thesis on the economic road map to prompt discussion in the public sphere, like the previous surveys. Regardless, it is always easier to be a commentator than a player, albeit less fun and impactful.

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