

Economic Survey 2016-17

Chapter2: The Economic Vision for a Precocious, Cleavaged India



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Chapter2: The Economic Vision for a Precocious, Cleavaged India

Economic vision post 1991:

- What has changed?
- To what extent?
- How?

- Replacement of erstwhile socialist vision
- Open trade, capital, private sector
- Reduction in cost of doing business
- Reforms in redistribution



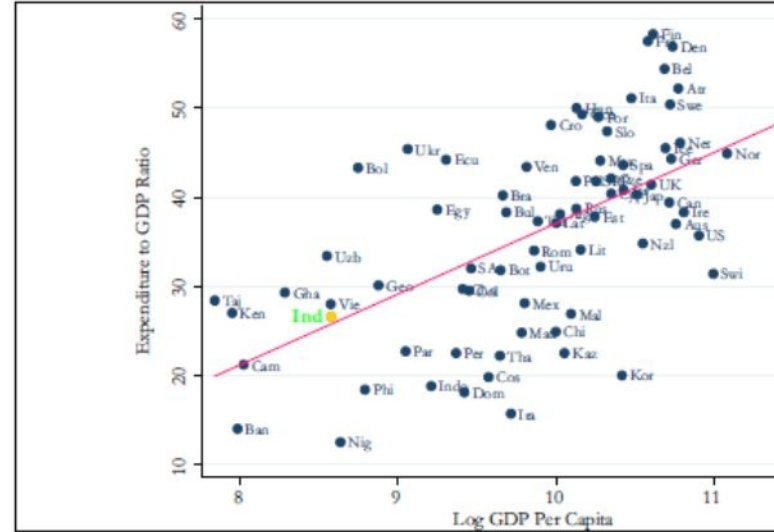
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Measurement of progress

- Openness to trade
- Openness to foreign capital
- Dominance of PSUs
- Government spending

Figure 4. Size of Government (Macro) - Government Expenditure vs GDP per capita



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Clouding of the Economic Vision post 1991:

1. Ambivalence about Private sector and property rights

- Anti-market beliefs
- Disinvestment and Privatisation, TBS
- Agricultural regulations



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Clouding of the Economic Vision post 1991:

2. State capacity: Poor service delivery:

- Corruption
- Clientelism
- Red tape
- Weak Policy making- Auctions, 4Cs

Competitive Federalism?

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Clouding of the Economic Vision post 1991:

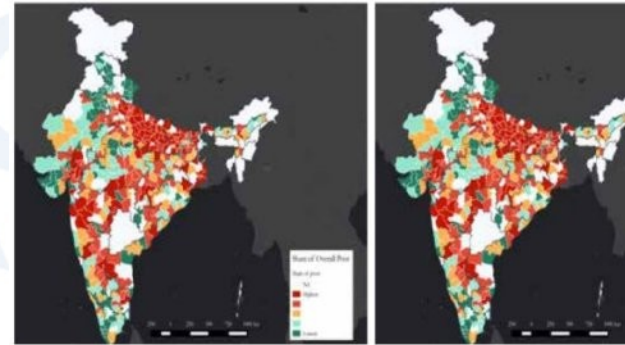
3. Inefficient redistribution

- Error prone system
- Reflection in GST negotiations

Figure 7. Misallocation: Poorer districts get lower share of spending/allocation on schemes

7a. Share of Overall Poor

7b. Shortfall in Allocation t



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Possible explanations:

- 'Precocious Democracy'
- 'Cleavaged Democracy'



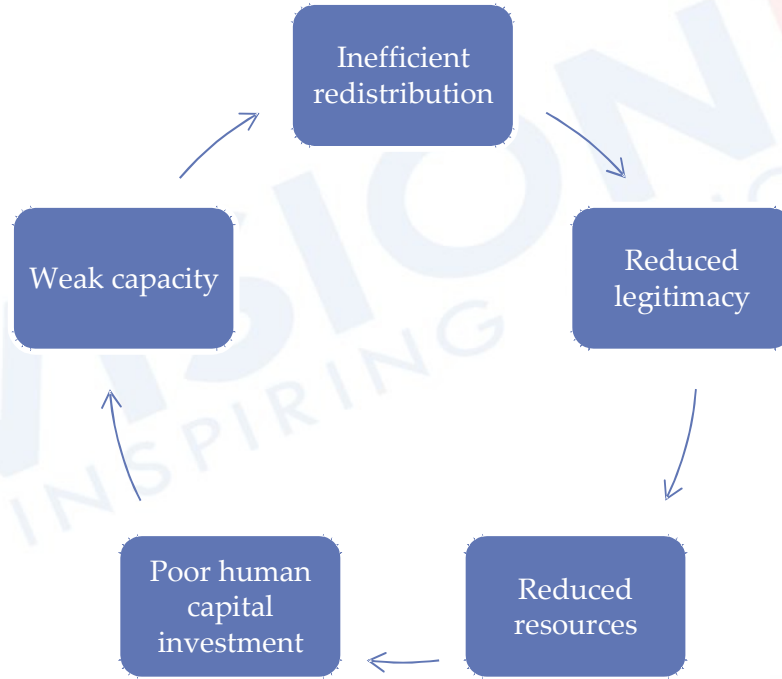
Socialistic pattern of economy

Implications:

- Mistrust and discrediting of private sector
- Divisions meant pressure of redistribution
- Investment in Human Capital suffered

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Added dangers of persisting with the same vision:



Chapter12: India on the Move and Churning: New Evidence



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Chapter12: India on the Move and Churning: New Evidence

Migration within
country:

- Reasons
- Magnitude
- Implications
- Economic, Geographic, Social
- New Estimates



Chapter 1: Economic Outlook and policy Challenges

- Census Definition
- New Studies: CMM and Railway data
 - Application with Gravity Models



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Chapter12: India on the Move and Churning: New Evidence

Results of New Studies:

- India on the move – 3.3m v/s 5-9m
 - Comparing with NSSO data ~ 29% of workforce is migrant
 - Census deficiency – Circular migration
 - Low Urbanisation rate
- Increased growth rate – post 2001
- Decreased relative costs
- Gravity model barriers:
 - State boundaries (✓)
 - Language (X)
 - Economy (✓)
 - Comparison with Goods – Cost of movement
 - Exceptions – Kerala, UTs
- Emergence of Counter magnets
- Female Migration trends

Chapter12: India on the Move and Churning: New Evidence

Conclusion: Implications

- Lack of portability benefits
- Legal and other entitlements
- Domestic remittances: Financial Inclusion



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Questions?



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Thank you



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