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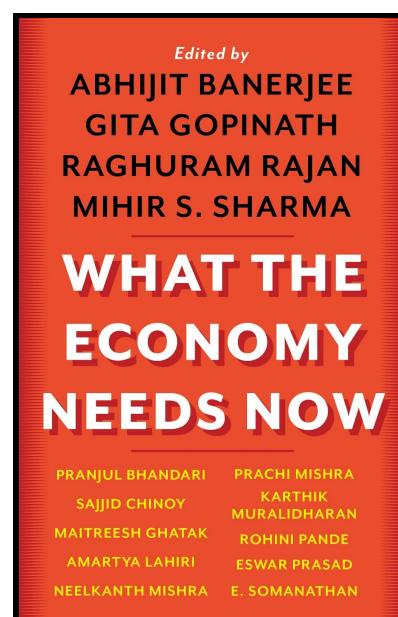
INTERVIEW

BOOK REVIEW

What the Economy Needs Now?

When George H. W. Bush lost elections to Bill Clinton in 1992, it came as a surprise. The US had just waged a successful war against Iraq's invasion of Kuwait in West Asia due to which Bush's approval rating soared and he was all set for another term. But the loss in Presidential elections lead to the coinage of the phrase, "it's the economy, stupid" signifying that the then prevalent recession in the US economy played a significant role in Bush's downfall. Today, no discussion about a country is complete without discussing the health of its economy. "What the Economy Needs Now" is a timely book that promises practical solutions to issues confronting the Indian economy especially at a time when fiscal deficits of State governments are deteriorating and there is uncertainty in the global economy due to volatility in oil

prices and trade wars among major economies.



Along with its attractive title, the book boasts some very famous and credible names including Raghuram Rajan, Gita Gopinath, Abhijit Banerjee, Mihir Sharma, among others. The topics include agriculture, banking, education, healthcare, infrastructure, welfare reforms etc.

India - a lone star among major economies?

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India is seen as one of the fastest growing economies with a growth rate hovering around 7% GDP per annum. While the author(s) appear sanguine about India's macroeconomic indicators, they seem apprehensive about the burgeoning current account deficit (CAD) due to volatility in oil prices. The situation at State level is not encouraging given the deterioration of state finances due to unsustainable and populist spending. Banks in India, especially Public Sector Banks (PSBs), are bleeding due to high share of Non-Performing Assets (NPAs). This constrains their lending activities which in turn affects credit flow to the economy, thereby affecting business investments and sentiments. Further, rising unemployment, low wage growth, increasing capital-output ratio and declining women labor force participation rate reflect poorly on the Indian economy.

It's endearing to see the concern shown towards the environment. With climate change looming large and our cities' high air pollution levels, among other such indicators of poor environmental conditions, it is imperative that the government's policies reconcile economic growth with environmental protection. They cannot be seen as mutually exclusive.

To foster sustainable and environment-friendly growth, and improve our development prospects, the book recommends a combination of measures including the reduction of the combined fiscal deficit to a target of 5% by 2024 (down from 7.5% at present); improving exports; simplifying labor laws; establishing clear land titles and digitizing land records; strengthening the MSME sector; adopting female-friendly labor reforms; setting up a unified environmental regulator; improving energy efficiency,

reducing dependence on fossil fuels and accelerating adoption of renewables and so on.

Agrarian Blues

The author(s) are critical of the distortive nature of some governments' policies including high Minimum Support Prices (MSP) and farm loan waivers. A more sound approach, in their view, is to consider input-support cash transfer programmes along the lines of Rythu Bandu in Telangana. The book hits the nail on its head when it talks about the unfavorable terms of trade vis-a-vis agriculture. Lack of import tariffs artificially depress prices of commodities and as a result, farmers are adversely affected. The government's obsession with a consumer-friendly policy approach at the cost of farmer's welfare has hurt them in the past.

Education and Healthcare - pillars of human development

India's outcomes in education are abysmal as highlighted by PISA. While the Right to Education Act (RTE), 2009 has enabled us to achieve near universal enrolment, it has adversely affected the quality of education which, among others, is attributable to rigidly defined input norms. It's welcome to note that the book recommends moving towards output-based norms rather than imposing strict input norms.

Healthcare in India is in shambles - a fact well-acknowledged in the book. More importantly, the author(s) are skeptical about the effectiveness of the insurance-based healthcare model. They cite the example of the USA where the insurance-based model suffers due to corruption and greed of private healthcare providers. Given this, one cannot help but feel uneasy about the aggressive expansion of Ayushman Bharat in India.

Strengthening Infrastructure

Infrastructure encompasses topics including power, roadways, railways. The power sector is sick due to distressed state-owned power DISCOMs. The need of the hour is to implement better metering, less distorted pricing of both power and energy inputs, and the use of cleaner technologies for distributed production and decentralized distribution. Given the vast network of roadways in India, and huge investments required, the book recommends exploring multiple public-private partnership (PPP) models. To improve performance of railways, a railway regulatory board with autonomy to decide fares is recommended.

Welfare Reforms

India has hundreds of welfare programmes. Yet somehow they have not meaningfully addressed impoverishment and low-levels of development. Corruption in welfare schemes, leakages in distribution and mistargeting of beneficiaries are some of the

chief reasons. It has led to a situation wherein the resources are spread out far too thinly with few outcomes to show. The book recommends expanding Aadhar-based technology transfers and exploring the idea of sectoral-based cash transfers to overcome leakages and corruption.

The collection of essays in “**What the Economy Needs Now**” have been written by a coterie of respected intellectuals and experts. However, the book comes across largely as a summary of problems and solutions in bullet points. A more nuanced discussion on each of the topics backed by empirical evidence and data may have added greater rigour and left more room for the reader to think deeply. Nevertheless, for any layperson interested in knowing what reforms are needed to improve India’s economy, this book may be the right reference.

- Mourya Krishna C