

Surveying ideas for India

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The anguish suffered by this violation of our intellectual property rights was more than offset by the gratitude we felt in achieving wide circulation for the Survey. (Illustration by C R Sasikumar)

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Last year, to its dismay, the Economic Division of the Ministry of Finance — the authors of the Economic Survey — discovered that there is indeed a higher form of flattery than imitation: Brazen pirating, and that too on the most globally public of platforms, Amazon. The anguish suffered by this violation of our intellectual property rights was more than offset by the gratitude we felt in achieving wide circulation for the Survey. We strive to do better this year, risking that the Survey might be consigned to the ranks of popular fiction.

This year's Survey comes in the wake of a set of tumultuous international developments — Brexit and political changes in advanced economies — and two radical domestic policy actions: The transformational (both for the economy and the governance of cooperative federalism) Goods and Services Tax (GST) and demonetisation. Clearly, the Survey needs to do full justice to all these short-term developments, or else it risks being Hamlet without the prince of Denmark. The world is asking the difficult question: To deify or demonise demonetisation. The Survey tries to respond to them. It affords an opportunity to work through the complexities of the analytics, empirics and potential impacts of demonetisation.

History, however, offers little guidance for assessment and prognostication, given the unprecedented nature of this action. And economic models are notoriously unreliable in the face of structural breaks of the sort occasioned by demonetisation. The rich and complex process of arriving at the assessments is shared fully and transparently with the reader. What we can definitely say is that there have been short-term costs but there are also potential long-term benefits which we discuss in detail. Appropriate action can help minimise the former while maximising the latter.

These proximate developments — vital as they are — cannot allow a neglect of medium-term economic issues.

Balancing the jealous, demanding gods of demonetisation and other short-term challenges, such as over-indebted balance sheets on the one hand, and India's medium-term economic future on the other, is the special challenge for this Survey.

Structurally, therefore, the Survey is divided into three sections: "The Perspective," "The Proximate" and "The Persistent". And to entice the reader, we have a section called "Eight interesting facts thrown up by the Survey." In Section I, the introductory chapter provides a broad overview of recent developments and a near-term outlook. The following chapter ("An Economic Vision for Precocious, Cleaved India") takes a long-term perspective to analyse where India stands on the underlying economic vision, arguing that overcoming some meta-challenges will require broader societal shifts in ideas. Economic reforms are not, or not just, about overcoming vested interests; they are increasingly about shared narratives and vision on problems and solutions. In an unusual and surprising way, the popular reaction to demonetisation serves to reinforce the primacy of ideas in undertaking economic change.

Section II deals with four pressing near-term issues: Demonetisation, the festering twin balance sheet challenge and the ways to address it, fiscal policy of the Centre and states, and labour-intensive employment creation. It also includes a review of sectoral developments in the first half of the year.

Section III deals with more medium-term issues. There are perhaps two broad themes to this section: The states (and cities) and Big Data. "Cooperative and competitive federalism" is not a glib mantra, it is India's unavoidable future. That requires shining the spotlight on the states and on India as a union of them. We discuss themes of convergence of income and health outcomes across states, state finances and mobility of goods and people across states.

We also provide analytical narratives of the performance of those states — the "other Indias", remote, rich in natural resources and more reliant than others on redistributive transfers — that tend to be crowded out as worthy objects of research and analysis by the successful peninsular states. There are implications for the design of transfers that future finance commissions may wish to draw upon. The chapter on cities points clearly to broadening the dynamism-laden competition between states to encompass the cities: India needs not just competitive federalism but competitive sub-federalism as well.

For the first time, the Economic Survey has embraced Big Data. We mine this data to shed new light on the flow of goods and people within India. With some immodesty, we claim that this Survey produces the first estimate of the flow of goods across states within India, based on analysing transactions-level data provided by the Goods and Services Tax Network (GSTN). We also claim that this Survey furnishes exciting new evidence on the flows of migrants within India, based on detailed origin-destination passenger data provided by the Ministry of Railways and on a new methodology for analysing the census data.

The striking findings are that India's internal integration is strong, and substantially stronger than conventional wisdom believes. For example, we estimate that eight to nine million Indians migrate for work every year — almost twice as much as current estimates. Similarly, India's internal trade is as extensive as that in other large countries, puncturing the popular perception of trade being thwarted by a barrier-riddled India.

But these results point to a central paradox: There is ostensibly a free flow of goods, people and capital across India and yet, income and health outcomes are not converging. Across international borders, we see strong evidence of convergence, with poorer, less healthy countries catching up and becoming less poor and more healthy. So, the Indian paradox is doubly confounding: Thicker international borders that are more impervious to the equalising flows of factors of production lead to convergence, but the supposedly porous borders within India perpetuate spatial inequality.

The Survey produces new estimates of the effectiveness of targeting of major current programmes, contrasting the wedge between the number of poor in a district and the amount of funding it receives. This leads naturally to a discussion of providing a Universal Basic Income (UBI) that has emerged as a raging new idea both in advanced economies and in India. We discuss this idea as a conversation that the Mahatma might have had with himself, concluding that it merits serious public deliberation.

Last year's Survey said that it is ideas for India — and for bettering India — that matter, not their provenance or paternity. That is more true this year because we have drawn upon an even more diverse set of authors, within India and abroad, from public and private sectors, from academia and civil society. It is also an honour that this year's Survey has a contribution from the honourable minister of finance. And this year, we have no fear of the Survey being judged by its cover, which breaks ground with its creative design. This year's Survey is also different since it has been compiled in just one volume. The detailed review of the year gone by that was covered by the companion volume will now appear later in the year as a standalone document.

There has been a lot of recent discussion on the role and contents of the Economic Survey. What should the Survey aspire to? The answer is clear, offered by arguably the greatest economist, John Maynard Keynes. What he described as the essential ingredients for the master-economist easily extend to those for the master-survey. Paraphrasing Keynes: "It must possess a rare combination of gifts It must draw upon mathematics, history, statesmanship, and philosophy — in some degree. It must understand symbols and speak in words. It must contemplate the particular, in terms of the general, and touch abstract and concrete in the same flight of thought. It must study the present in the light of the past for the purposes of the future. No part of man's nature or his institutions must be entirely outside its regard. It must be purposeful and disinterested in a simultaneous mood, its authors as aloof and incorruptible as artists, yet sometimes as near to earth as politicians."

Over three years, the Survey has probably fallen short of those lofty standards. But they have been — and must be — the aspiration for this and all Surveys to come.

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