ISSN 0970-7247

THIRD CONCEPT

English Monthly
Annual Subscription Rs. 200

Vol. 30 No. 349 MARCH 2016 Rs. 20.00

- India-Nepal Relations
- India-Latvia Ties
- Managing Indo-Bangladesh Border
- Cooperative Federalism
- Environmental Sustainable Development
- Tribal Education

THIRD CONCEPT

An International Journal of Ideas

Vol. 30 No. 349 MARCH 2016 Rs. 20. 00

Third Concept aims at providing a platform where a meaningful exchange of ideas can take place among the people of the Third World. The attempt will be to communicate, debate and disseminate information, ideas and alternatives for the resolution of the common problems facing humankind. We welcome contributions from academics, journalists and even from those who may never have published anything before. The only requirement is a concern for and desire to understand and take the issue of our time. Contributions may be descriptive, analytical or theoretical. They may be in the form of original articles, reactions to previous contributions, or even a comment on a prevailing situation. All contributions, neatly typed in double space, may be addressed to:

While the Editor accepts responsibility for the selection of materials to be published, individual authors are responsible for the facts, figures, and views in their articles. However, the Editor reserves the right to edit the articles for reasons of space and clarity.

Published, Printed and Owned by
Babuddin Khan
Third Concept
LB - 39, Prakash Deep Building,
7, Tolstoy Marg, New Delhi-110 001.
Phones : 23711092, 23712249
Fax No: 23711092.
E-mail : third.concept@rediffmail.com
Website: www.thirdconceptjournal.co.in

Designed by: **Pt. Tejpal**

INSIDE

Editorial

Boom or Gloom!

Efforts have been made by the ruling dispensation at the Centre to present a rosy picture of nation's economy in its *Economic Survey* for 2016-2017 presented in Parliament a couple of days before the actual presentation of the budget. The Survey broadly reaffirms the positive growth numbers that have been projected by many global agencies, including the International Monetary Fund and this can be construed to provide a measure of confidence to the Union Finance Minister to show the business-friendly side of his government with a reform-oriented road map.

The possibility of India achieving 7-plus per cent GDP growth for the third year in a row has been envisaged in the Survey. A 7.2 per cent growth rate in 2014-15 and a possible 7.6 per cent expansion in 2015-16 have to be read in the context of the global slowdown and domestic concerns about the farm sector after insufficient monsoon rains followed by a warm winter. Sanguinity expressed in the Survey about 7 to 7.75 per cent growth in the coming fiscal year — in fact, the claim is made that "conditions do exist for raising the economy's growth momentum to 8 per cent or more in the next couple of years'' – is nonetheless subject to close scrutiny. While advising that the Centre should be in a position to adhere to its fiscal deficit target of 3.9 per cent of GDP, the Survey indicates that a robust expansion in the service sector, accelerated growth in industry and a pick-up in IIP (Index of Industrial Production) have all created a climate of optimism. Still, given the extremely uncertain external environment, the Survey warns that "India's growth will face considerable headwinds".

The Survey offers a prescription to deal with the malady of becalmed global demand. It makes a strong case for giving a big push to agriculture, health and education. While dwelling on the industry demand for addressing the "exit problem" that is hurting the economy, the Survey lists the enormous fiscal, economic and political costs involved in sustaining incapacitated ventures. It also suggests that India move from a pro-industry approach to one that is "genuinely pro-competition". The growth momentum, it is felt, could well be sustained by "activating domestic sources of demand''. Interestingly, the Survey sees in the implementation of the Seventh Pay Commission recommendations a demand-booster. The Reserve Bank of India, however, has chosen to view the pay panel-induced payout from the prism of inflation.

Hoping for continuing low commodity prices, the survey suggests ways for fiscal consolidation. Since the implementation of the Seventh Pay Commission recommendations and the One Rank, One Pay (OROP) scheme will put an additional burden on the exchequer, the government will have to find ways to manage its expenditure and raise revenue. One desirable thing the government is unlikely to do is: raise the duty on gold imports. The survey repeats old solutions: widen the tax base, improve tax compliance through better tax administration, hike property taxes and tap new resources. The Survey's call for a quick resolution to the twin balance sheet challenges — the impaired finances of public sector banks and corporate houses; indeed, requires a holistic and fair solution. Suggestions such as plugging leakages in subsidy payouts, bringing more income-earners into the tax net, phasing out tax exemptions, not raising exemption threshold limits, introducing differential power tariff and imposing higher property taxes are all resource-raising options listed to deal with the resource crunch. How much of this purposefulness will in fact inform the new Budget will be ascertained in the aftermath of the presentation of the actual budget.

One should not forget that it is still the monsoon, oil prices and the global economic situation that largely determine the country's economic future. Exports account for a fraction of the GDP. The windfall from oil has left the government in a financially comfortable position. However, it also recognises two short-term challenges: the worsening financial position of public sector banks and corporate houses. Undoubtedly, the *Economic Survey* for 2015-2016 tends to paint a rosy picture and has found excuses if there is a lower-than-expected performance and one is tended to ascribe to the view that 'the government is seldom responsible for a bad financial year and it always takes credit if the going is good.'

— BK