White Paper on Indian Economy

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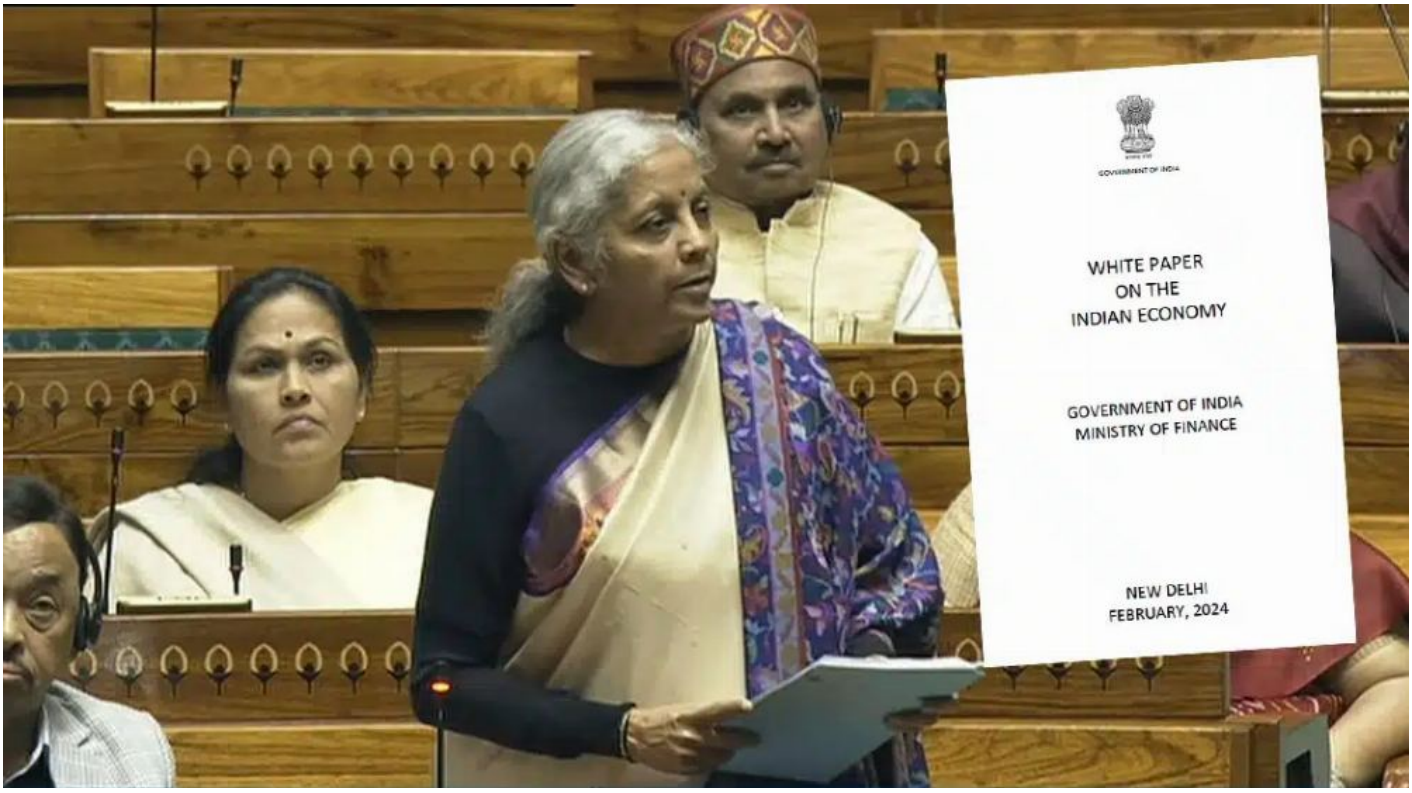

What's in Today's Article?

- Why in News?
- What is a White Paper?
- Is the One Presented by the FM a White Paper, and Why is it Being Presented Now?
- Highlights of the White Paper on the Indian Economy and its Objectives
- Some of the Most Important Claims in the White Paper
- What can be Inferred from the above Claims?

Why in News?

- The Union Finance Minister presented a "White Paper" on the Indian economy (prepared by the Ministry of Finance) in the Lok Sabha.
- The government had announced in the Union Interim Budget that it would come out with a 'White Paper' to compare the economic performance of 10 years of the Congress-led UPA govt with that of 10 years of the BJP-led NDA govt.

What is a White Paper?

- A **white paper typically provides information about a specific issue** to make people aware of the nature and scope of the problem and the possible ways to resolve it.
- Apart from governments, a white paper is often used by businesses and other agencies to showcase their products and promote them.
- One of the earliest instances of a government presenting a white paper is of 1922, when then British PM Winston Churchill introduced one to detail his government’s policy on Palestine.
- In India,
  - There are no specific guidelines on the issue or tabling of white papers.
  - The Opposition is well within its right to demand a white paper from the government on issues on which it needs clarity. For example, they demanded one on black money recently, demonetisation, etc.
  - In the last 10 years, the incumbent government tabled only two white papers – the other one on the Railways in 2014, detailing freight and fare rationalisation, capacity augmentation, etc.

Is the One Presented by the FM a White Paper, and Why is it Being Presented Now?

- In the sense of the above definition, what was presented in the Indian Parliament is not exactly a white paper because, it is a comparison between the record of two governments on a variety of economic parameters.
- The document explains why the white paper is being presented at the end of 10 years instead of at the start.
  - According to the incumbent government, it refrained from bringing out a white paper on the poor state of affairs then.
  - The need of the hour then was to give hope to the people, to attract investments, both domestic and global and to build support for the much-needed reforms.

Highlights of the White Paper on the Indian Economy and its Objectives

- The 58-page white paper has three main parts.
  - Part 1 discusses the macroeconomic situation during the 10 years of UPA rule.
  - Part 2 provides the current status of the various corruption scams of the UPA government.
  - Part 3 shows how the NDA turned the economy around.
- Objectives of the white paper:
  - It seeks to inform every one of the nature and extent of governance, economic and fiscal crises that the NDA government had when it assumed office in 2014.
  - It informs about the policies and measures that the (NDA) government took to restore the health of the economy since 2014.
  - It wants to spark a broader, more informed debate about the importance of national interest and fiscal responsibility in governance over political expediency.

Some of the Most Important Claims in the White Paper

- UPA’s decade was marked by policy misadventures and scams such as non-transparent auction of public resources (coal and telecom spectrum).

- In a quest to maintain high economic growth by any means after the Global Financial Crisis of 2008, UPA severely undermined the macroeconomic foundations.
- For instance, it underscores high inflation, high fiscal deficit (or the money borrowed to meet expenses), and high proportion of bad loans in the banking system that dragged down economic activity.
- Capital expenditure as a percent of total expenditure (excluding interest payments) halved from 31% in FY04 to 16% in FY14 (this ratio stands at 28% in the current year).
- The resulting neglect of infrastructure creation and challenges of the logistical constraints caused industrial and economic growth to stumble.
- Health expenditure of Indian households showed very little improvement, defence preparedness was hampered by policy paralysis.
- A substantive part of the documents goes on to claim how things have improved under the NDA. For example,
    - It uses data from the International Monetary Fund to show how average headline Inflation has been lower in the NDA decade.
    - Or how many of the schemes (such as Jan Dhan, Swachh Bharat Mission, etc) achieved higher results during the NDA decade.
- Thus, the NDA government rescued the economy from a state of crisis, despair and paralysis and India is now among the 'top five' economies (not among the 'fragile five'), making the third highest contribution to global growth every year.

What can be Inferred from the above Claims?

- Analysing the performance of any economy over two decades, even when they are aligned back-to-back, is a daunting task.
    - This is so because a variety of factors affect not just the economy but also how we measure it.
    - For instance, a very big reason why domestic inflation was very high during the last couple of UPA years is the cost of crude oil.
    - The crude oil ranged between $111 and $105 a barrel between FY12 and FY14, and then fell to $84 in FY15 and to $46 in FY16.
- The NDA government has several genuine achievements to its credit (such as the GST and IBC) but the white paper ignores all that is amiss with the economy.
    - For instance, it does not even contain the word "unemployment" and makes no mention that there has been no formal measure of poverty since 2011.

Q1) Why is India one of the fastest growing economies?

India's growth rate was the 2nd highest among G20 countries and almost twice the average for emerging market economies. This resilience was underpinned by robust domestic demand, strong public infrastructure investment and a strengthening financial sector.

Q2) What is the Interim Budget?

An Interim Budget is presented by a government that is going through a transition period or is in its last year in office ahead of general elections. The incumbent government does not make any major policy announcements during the Interim Budget.

Source: White paper on the economy | We rescued the economy from crisis, says government | HT | IE