

Rat Race and Viksit Bharat-2047

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The Indian economy faces a serious macroeconomic policy paradox in rearranging development priorities particularly to realise Viksit Bharat in 2047. Developmental needs of the country are misplaced on the one hand and on the other the structural rigidities of the economy have held back the economic potential. India's aspiration to become a developed country by 2047 faces serious policy challenges given the structural problems of the economy and failure of the policy direction to speed up the economic growth. This policy paradox is well analysed in the recent "World Development Report, 2024 titled as "The Middle-Income Trap" which portrays the "underlying structure of the economies of the world and how countries experience systematic growth slowdown as they are unable to take on the new economic structures to sustain the high-income levels". But in this process of upward movements of the economies under capitalism, the compelling "rat race" undermines the values of human and natural resources.

The report categorised India as a "low middle income country (LMIC)" with Gross income capita of \$2,540, whereas China as Upper Middle-Income Country (UMIC) with \$13,400, USA as High-Income Country (HIC) with \$80,300. India, to become a developed economy, its Gross Income Per capita should cross \$15,000. However, the World Bank Report observed that India will take 75 years to reach even one quarter (\$ 20,000) of the US income per capita. Whereas South Korea is categorised as HIC with \$ 35,490 achieved its spectacular economic growth miracle in 25 years.

The underlying structure of the world economies and their growth stories both success and failures, are interlinked to obvious growth strategies to overcome the "middle income trap". Achieving economic growth or miracle depends on three influencing factors or three I's which are investment, infusion of new technology, and innovation. To influence economic growth, the country's economic policies

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should have enabled dynamic enterprises, utilisation of dynamic productive workforce and energy efficient or climate resilient economy.

The Indian economy has both inherent strengths and structural weaknesses to realise high income country status. India is populous but the youngest country in the world with a dynamic productive workforce which constitutes about 68% of the population, aging between 15 to 64 till 2055-56. The young productive work force constitutes about 26% falls within the 10-24 age group. The traditional economic growth theory predominantly suggested that a nation's wealth is mainly dominated by its stock of man-made capital assets, such as roads and machinery. However, the role played by human capital is dominant as they contribute about 70-80 per cent for countries' wealth including the USA and India as they are the knowledge economies. Therefore, modern theories of economic growth including Harrod-Domar, Solow and Schumpeter have been developed, with a focus on skills, technology and knowledge. Modern economic growth, therefore, depends on innovation, technology, and entrepreneurship which drive the economy for higher productivity.

Unfortunately, structural rigidities in the economy as India's 50% population depends on the agriculture sector and 60% people live in rural areas, where the productive work force is not effectively put into economic growth. The youth unemployment is as high as 26 per cent and they lack education, entrepreneurship skill, investment, technological support from the government for their productive use for economic growth. MSME is the potential sector for economic growth which can play an active role in entrepreneurship development utilising available natural resources in the rural areas for example, Khadi industries, coir industry, pottery, wood industry can support rural artisans.

The economic miracle in the case of South Korea happened in the 1960s as their productive work force or young entrepreneurs have been trained in Japan in manufacturing sectors (cars and television) with a strong focus on innovation, technology, and exports. Subsequently, the government provided incentives for technological investment, subsidised adoption of foreign technology, invested in research and development (R&D), innovation, and trained young entrepreneurs in skill development. As a result, South Korea has been transformed from predominately an agrarian economy to industrialised economy with remarkable

“product innovation” in car (Hyundai, KIA), television, washing machine and cell phone (Samsung and LG) manufacturing and they have become household products in India and the world today.

The World Bank report also highlights India’s achievement in “service sector innovation” as the Government of India’s policy importance to Information and Communication technology (ICT) and import of foreign technology and promotion of innovation in the 1980s. Which led to emergence of service sector-led economic growth (53.34% to GDP) in India particularly referring to growth of software industry in India which includes TCS and Infosys. The report also appreciates how the development of Aadhar has resulted in the digital transformation of India in using the internet, mobile phones, digital payments which contributed for development of entrepreneurship and business. However, these achievements are not sufficient to provide impetus to economic growth in India, the stumbling blocks to India’s growth aspirations are the slow and sluggish growth of the industry and agriculture sectors, they contribute 28.25% and 18.42% to the country’s GDP, respectively.

The present model of economic development perpetuates inequalities and fails to reallocate and redistribute resources. Economic inequality and climate change are intricately linked to an unequal distribution of income and resources, limiting the economic resilience of the poor to fight climate change. India’s socio-economic, and environmental indicators in comparison with the world countries is worsening in recent years. India’s per capita income as per the World Bank data is 1,900.7 US\$ which is lower than world’s average per capita is 10,909.3 US\$, USA’s \$63,543.6, China’s \$10,500.4. India has slipped to 131st rank out of 189 countries with 0.645 value in the Human Development Index. The highest poor people are in India, with 37.2 per cent of the people, or 500 million people, below the poverty line. India is ranked 168th country out of 180 countries in the world with an EPI score of 27.6 out of 100 in the environmental performance indicator. These data provide a stark reality about India’s worsened developmental status among the world countries. The recurrent natural disasters specifically Covid-19 and climate-induced cyclones have further worsened the livelihood of millions of people and the economy.

India's macroeconomic policies are under illusion and not open to reality, as creative destruction operates in the world that instantly destroys obsolete technology and creates new technology that drives the economy. Development of new technologies depends on investment on R&D (innovation), India's R&D expenditure as percentage of GDP is hardly 0.64% whereas, Israel (5.56%), South Korea (4.93%), America (3.46%) are the world's leading investors on R&D. Further WB report developed indicators to provide the picture of the underlying structure of economies where India lags in Enterprise (measure of country's productive capabilities and infuse of new technology), Talent (skilled workforce) and Energy (reliable energy supply). In the technology index, India scores 1 out of 100, whereas the USA (100), China (13.1), South Korea (92.5), and Japan (50.1). These indicators provide a clear picture about India's underlying structure of the economy and policy direction to its structural transformation to adopt new growth strategies.

Therefore, India's aspiration to become a developed country depends on how it takes on the new economic structures which create increasingly dynamic enterprises, a productive workforce and an energy-efficient economy. India needs to aggressively invest in youths (productive workforce) to promote entrepreneurship and innovation, which can take the country on a new economic structure to speed up the economic growth while realising the principles of inclusive growth and sustainable development. Therefore, there is an urgent need to restructure economic and environmental governance systems to achieve inclusive development and strike a balance between ecological and economic stability to tackle climate change in India.

In reality, markets do not consider the depreciation of natural resources in estimating the GDP, and there is also a narrow understanding of welfare and wellbeing in terms of utility or satisfaction based on materialistic consumption and wealth accumulation. Economic development is largely carried out in the name of the poor, but it fails to lift millions of people out of poverty. In fact, it has created a huge income inequality between the rich and the poor. Around 700 million poor live in extreme poverty across the world with less than \$2.15 per day, and largely it is these poor who suffer from climate-related natural disasters, with no economic resilience. Further, high carbon economic growth has already posed a

great threat to economic development for India with the increase in the world's average temperature by 1 degree Celsius. It is projected by the UN IPCC-6 Report that if the present rate of increase in greenhouse gases continues, the world will obviously fail to limit the world's average temperature by less than 2 degrees Celsius. This trend spells a catastrophe for the economic development and well-being of the people in India. Climate change is a recipe for economic disaster due to the growth of a high-carbon economy linked to the neo-liberal economic policy of capitalism of mass production and mass consumption that led to economic inequality in India. However, the carbon footprints vary with income inequality in the economy, the rich produce more carbon footprints than poor. Already many sectors of the economy, regions, millions of poor people are affected with increasing number of cyclones, high precipitation, floods, severe droughts, forest fires, acute shortage of drinking water, destruction of social and economic infrastructure which are common.

The economic cost of climate change is estimated around 5 to 10 percent of India's GDP annually. About 60 per cent of the population in India is dependent on the agriculture sector and climate change affects agriculture and water resources. The scarcity of water is very high as the per capita water availability in India has drastically been reduced to 1486 cubic meters. The scarcity of water limits the economic growth in India and costs the economy in terms of pollution control, water recycle, and drinking water purification. As a result, climate change imposes high costs on society and impoverishes economic wellbeing. It is also imperative to improve the human capital through education, technology, health, jobs and a decline in poverty and income inequality. Inclusive development, such as social protection, acts as an insurance against climate change. The poor need financial, technical and institutional support in the form of poverty reduction programmes, social security schemes, etc., to improve their quality of life and develop climate resilience. Indian cities need to have institutional capacity to adapt to climate change. Systemic wealth and income inequalities have exacerbated the impact of climate change on the poor. Many experts observe that India needs to tread a different developmental path rather than desperately following the one pursued by Western economies or by China, given India's diverse demographic, social, economic and environmental conditions.

The nation needs to realise its inherent macroeconomic strengths and weaknesses to gain the 'developed country' status by 2047. The government immediately needs to review its policies of economic growth for course correction and achieve sustainable and inclusive development. India's public policy needs to redefine economic development in the context of climate change and growing income inequality. Development for whom and at what cost needs to be brought into economic policies. India's economic success relies on balancing its economic policies with environmental policies to achieve sustainable development. A fundamental change in the way of thinking by the State and the market forces about the environment, society, and development is sine qua non. Environment and development are not mutually exclusive; a healthy environment is an integral part of a healthy economy.