

THE CRISIS BENEATH THE CRISIS

Summary - Every Indian dreams of a growing, progressive, violence-free, and prosperous India. The present leadership of our country is also projecting a vision of “all inclusive growth,” i.e., people from all strata of society should benefit from the development and progress of our nation.

This paper is a small attempt at collecting and analyzing data from the Indian Planning Commission’s website (www.planningcommission.nic.in). We not only acknowledge the Planning Commission’s achievements thus far but also critically examine certain aspects that require a focused approach and wherein much remains to be achieved.

A holistically developed country entails, along with economic development, social upliftment, peaceful co-existence, environmental sensitivity, corruption-free public governance, and ethical private enterprise.

The study period of our analysis is broadly divided into two periods, namely, 1980–93 and 1993 onwards. The first period is marked by the ideology of a socialist democracy and mixed economy and the latter period, by democratic capitalism and a liberalized mixed economy. The year 1991 is the inflection point when the talk of ushering in liberalization gained momentum, resulting in the formation of a decontrolled/globalized economy.

India’s nominal Gross National Product (GNP) and real GNP (1980–81 = 100)—both at factor cost—in 1995–96 were 108 times and 6 times their respective levels in 1950–51. Similarly, the nominal per capita and real per capita incomes (1980–81 = 100) in 1995–96 were 39 times and a little more than twice their respective levels in 1950–51 (GOI, 1996–97, p. S-3). The output of food grains in India increased from 50.8 million tons in 1950–51 to 192.4 million tons in 1997–98 (GOI, 1998–99, P. S-3). There has also been a substantial increase in the output of finished steel, cement, coal, crude-oil, electricity, and a wide variety of durable and nondurable consumer goods. The industrial and financial sectors have witnessed creditable growth and diversification, and the economic and social infrastructures have been remarkably strengthened. A lot has been achieved with respect to both the level and diversification (in terms of trading partners and composition) of exports and imports of goods and services. India has made a noteworthy progress in scientific and technological fields; further, technical, managerial, and skilled manpower has increased considerably. The total life expectancy (for males and females) in the country has increased from 32.1 years in 1950–51 to 60.3 years in 1993–94. Similarly, the annual death rate per thousand has declined from 27.4 in 1950–51 to 8.9 in 1996–97. Furthermore, the total literacy rate has increased from 18.33 percent to 52.2 percent during 1951–91 (GOI, 1998–99, p. S-1 and S-2; L. M. Bhole, Faculty of Humanities, IIT Bombay).

However, such positive aspects of progress have been accompanied by far too many negative aspects, and consequently, the balance sheet of Indian development can be said to have been grossly in the red. The goal of rebuilding the nation or the “tryst with destiny” at the time of independence certainly must not have implied only economic growth. Moreover, there have been highly worrisome failures on the economic front. As indicated above, economic growth has occurred more in nominal terms than in real terms. The increase in nominal income has

been achieved by investing huge capital running into trillions of rupees, which implies that the capital cost per unit of output has been very high. Thus, both the internal and external values of the rupee have declined drastically. The consumer price index (1982 = 100) has increased from 17.00 in 1950–51 to 366 in 1997–98, i.e., by about 22 times (GOI, 1998–99, p. S-1); consequently, the value of one rupee in 1940 has now become less than Re 0.03. The rupee exchange rate has declined from about 1 US\$ = Rs 4.76 in 1949–50 to 1 US\$ = Rs.43.24 in the first week of July 1999. Further, the internal and external public debts have been accumulated to gargantuan proportions.

The first part of my paper traces some economic indicators over the two periods, and the second part discusses the nation's progress in qualitative parameters over the same duration.

Economic Indicators

(All figures from the abridged tables are available at www.planningcommission.nic.in.)

1. Direct and Indirect Tax Revenues
2. Wholesale Price Index
3. Debt Indicators of Centre and State (as % of GDP)
4. Fiscal Indicators (as % of GDP)

1. Direct and Indirect Tax Revenues (for three years of different period in crores of Rupees)

	1980–81	1993–94	2007–08
Centre	13,149	75,690	5,85,410
State	6,614	46,577	2,88,657
Combined	19,763	1,22,267	8,74,067

2. Wholesale Price Index

	1970–71 (Base)		1981–82 (Base)		1993–94 (Base)	
	70–71	81–82	81–82	93–94	93–94	07–08
All commodities	100	281.3	100	247.8	100	215.0
Food articles	100	235.1	100	284.4	100	222.0
Fuel, Power, Light and Lubricants	100	427.5	100	264.4	100	327.0
Primary articles	100	264.4	100	250.9	100	224.0
Non-food Articles	100	240.0	100	249.0	100	212.0
Manufacturing Products	100	270.0	100	243.2	100	188.0

3. Debt Indicators of the Centre and States (as % of GDP)

	80–81	93–94	07–08
Centre	41.10	55.21	61.47
State	18.42	21.71	28.37

Combined	47.84	65.23	76.96
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4. Fiscal indicators (as % of GDP) (When will India see the day of fiscal surplus again?)

	70–71	80–81	93–94	07–08
Gross Fiscal Deficit	3.04	5.71	6.96	3.05
Net Fiscal Deficit	1.69	3.52	5.31	2.92
Gross Primary Deficit	1.74	3.92	2.72	-0.60
Net Primary Deficit	1.62	2.96	2.81	-0.37
Revenue Deficit	-0.35	1.40 6 yrs of Surplus Between 70–80	3.78 Not a single year of surplus Between 80–93	1.35 Not a single year of surplus Between 93–07
Primary Revenue Deficit	-1.66	-0.39	-0.46	-2.30
Draw Down of Cash Balances	0.62	1.70	1.27	-0.39
Net RBI Credit to Centre	0.48	2.44	0.03	-2.48
Interest Payment	1.31	1.79	4.24	3.65

Note: (–) indicates surplus.

A combined picture that emerges on considering all these indices collectively for a period broadly indicates that there is no difference in the end results between the two periods. All diatribes between the “mixed economy vs. the free market” or the “democratic socialism vs. capitalistic democracy” seem to be a superficial ideological gimmick.

Consequently, we have achieved economic development at a high input cost resulting in low capital productivity, and the debt burden continues to increase. Open market operations have obscured the fact that a major portion of each subsequent debt was utilized to pay off previous debts. The basic causes for the nonpayment/cost overrun of previous projects were completely ignored. As a result, fresh market borrowings were resorted to, and gradually, old instruments nearing their maturity were replaced by new ones. The amount of money raised from the free market by the public sector is given below.

Year	Amount (Cr)
1950–1970	Nil
1980–81	478
1993–94	29,503
2007–08	69,533

Now, we will examine some qualitative parameters during the two study periods.

There has been no significant difference in parameters such as per capita food production, population per doctor, militarization, urbanization, homicide, drug crimes, and divorces. These issues were never considered with due significance during both the periods.

The per capita per day availability of cereals has remained nearly the same (it was 334.2 grams and 450.9 grams in 1951 and 1998, respectively), while that of pulses has declined dangerously (it was 60.7 grams and 33.2 grams in 1951 and 1998, respectively). The per capita annual availability of cotton cloth has remained more or less the same (it was 14.4 meters and 15.9 meters in 1955–56 and 1997–98, respectively). It is estimated that housing shortage was to the tune of about 9.0 million dwelling units in 1951 and around 39.0 million units in 2001 (The Indian Express, 30-1-1993).

Even after fifty years of independence, at least one-third of the Indian population lives below the poverty line, which itself has been fixed at a niggardly level. Deaths, particularly of children and women, due to undernourishment, malnutrition, and hunger have been quite regular, regionally widespread, and large in number.

In areas such as,

- (1) Population Growth, (2) Financial Decentralization, (3) Decline in infant Mortality, (4) Life Expectancy, (5) Per Capita Food Production, (6) Calorie Supply, (7) Population Per Doctor, (8) Militarization, (9) Urbanization, (10) Homicides, (11) Drug Crimes, (12) Divorces, (13) Births Outside Marriages, (14) Single Parent Homes, (15) Suicides, (16) Deaths by Cancer and Circulatory Diseases, (17) Exports (1976-81), (18) Consumption and Status Inequalities, (19) Narcotics and Arms Trading and Trafficking, (20) Deforestation, (21) Deagriculturization, Deruralization, and “Servicesization”, (22) Overmining of the Earth, (23) Excessive Use of Motorized Transport, (24) Presence of Absolute Poverty, (25) Human Development Index, (26) Social Failure, (27) Generation of Mass Scale Refugees, (28) Absence of Public Participation, (29) Violation of Human Rights, (30) Bad Political Culture, (31) Corruption, (32) Ecological Disaster.

National Food and Health Survey data for 1992–93 and 2002–03 for various states showing the percentage of underweight children below three years compared to WHO references is given below.

States which have improved		Marginal or no improvement		States which have deteriorated	
State	1992 → 02	State	1992 → 02	State	1992 → 02
1. Andhra Pradesh	42.9 → 29.8	1. Arunachal Pradesh	32.1 → 29.6	1. Haryana	31.0 → 38.2
2. Delhi	36.2 → 24.9	2. Assam	44.0 → 35.8	2. Jharkhand	51.5 → 54.5
3. Goa	29.3 → 21.4	3. Bihar	58.7 → 55.0	3. MP	57.4 → 57.9
4. Karnataka	46.4 → 33.2	4. Chattisgarh	53.2 → 47.8	4. Meghalaya	36.9 → 42.9
5. Maharashtra	47.3 → 32.5	5. Gujarat	42.7 → 41.3	5. Nagaland	18.7 → 23.6
6. Punjab	39.9 → 23.6	6. Jammu	29.2 → 24.0	6. Sikkim	15.5 → 17.3
7. Tamil Nadu	40.7 → 25.9	7. Kerala	22.1 → 21.2		
8. West Bengal	53.2 → 37.6	8. Manipur	19.8 → 19.5		
		9. Mizoram	17.2 → 14.3		

		10.Orissa	50.0→39.4		
		11.Rajasthan	41.8→36.9		
		12.Tripura	42.1→35.2		
		13.U.P.	52.7→41.5		
		14.Uttarkhand	36.3→31.6		

All India 47.9 → 40.4 over a span of 13 years

To conclude, I would like to reiterate my stand that a corruption-free public sector is required for supplying public goods and monitoring the activities of the private sector that is delegated the responsibility of carrying out commercial activities in low- to medium-scale nonpublic goods. Credit availability and liquidity have not shown high correlation with stimulating economic activity. Austerity at all levels and in all sectors is required, where principles of Gandhian economy are worth giving a second thought. We require the ideal example of Khalifa Umar (the second Caliph in Islam) who ruled over the whole world while living a life of austerity, and the public at that time was provided with all freedom to carry on legal trade and commerce across boundaries without undue hindrances by the government.