Source : www.thehindu.com Date : 2023-11-24

A $5 TRILLION ECONOMY, BUT FOR WHOM?

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

November 24, 2023 01:36 am | Updated 01:36 am IST

“India’s economic growth pivots on capital, productivity and labour, and data show that for over four-fifth of Indians, the $5 trillion economy is a bridge too far” File | Photo Credit: AP

Last week, at an election rally in Chhattisgarh, Prime Minister Narendra Modi announced that he is extending the Pradhan Mantri Garib Kalyan Ann Yojna, a scheme providing 5 kg of foodgrains free every month to beneficiaries of the National Food Security Act, by five years because he does not want any citizen to sleep hungry. This means that 80 crore Indians will still be receiving free foodgrains to stave off hunger in 2028. This is the year the government expects India to become the third largest economy in the world, with a GDP of $5 trillion. Will large swathes of Indians still be hungry with a GDP of $5 trillion? Who will benefit from the five-year dash to these targets?

For reference, let’s take a look at Japan today, the third largest economy by GDP in the world. In Japan, there is reportedly a death by suicide every 20 minutes. About 15 lakh Japanese have not left their homes for years, a form of severe social withdrawal known as *hikikomori*. Old parents rent actresses who come in on Sunday to call them ‘Mom’ and ‘Pop’ because their own daughters don’t visit any more. Every day, dead people are discovered in tiny apartments days or weeks after they died; these are called *kodokushi* or lonely deaths. Clearly, Japan’s climb to the third position economy-wise has not lifted all boats equally; it has tossed the weak to the margins where they languish because economic growth on steroids has unpicked the safety catch of family and community ties.

For 40 years, Japan was the world’s second largest economy, powered by manufacturing and exports. But after the 2008 world financial crisis, the wheels came off the Japanese economy. Japan’s population started spending less, exports shrank, and government incentives dried up. On the other hand, China enjoyed a manufacturing boom and dislodged Japan to become the world’s second-largest economy by GDP.

On losing rank, however, Japan displayed remarkable ego-free economic diplomacy. As soon as the economy plunged to the third position, Japan’s leadership publicly welcomed China’s ascent, stating that sustained demand from the (then) most populous country could only be good for Japan’s exports. Even if this statement was made partially to save face, the two economies intertwined immediately. Today, China is Japan’s largest trading partner, proving that in the world political economy it pays to embrace your main competitor, even if you are *Vishwaguru* (global teacher). This ego-free ‘activism’ has ensured that Japan has held on to the third position in world GDP rankings for the last 14 years.

But let us return to the parallel story in Japan. As the high-value industrial economy took centre stage, the strength of personal and professional relationships withered and the multi-generational family and social structure became atomised. This was a perfect storm in the lives of the traditional, semi-skilled workforce. Workers moved from the countryside and satellite towns to cities expecting ‘salaryman’ jobs, but many discovered that they were not trained for the technological tsunami sweeping the high-growth sectors. They fell through the cracks into financial collapse and social withdrawal.

Today, the Government of India claims that the country is on the cusp of an economic tsunami. How does the sprint to the target of $5 trillion bode for citizens, especially the 80 crore who will still be on free rations in 2028? India’s economic growth pivots on capital, productivity and labour, and data show that for over four-fifth of Indians, the $5 trillion economy is a bridge too far.

Consider capital: in 2021, 1% of the population owned about 41% of the nation’s wealth, while 50% owned 3% of its wealth, according to Oxfam. In such an environment, the dash towards a $5 trillion economic trophy lies in the grip of the resource-rich power brokers who will seize the initiative. But ironically, it is the low-resource citizens who are funding the investment for the proposed $5 trillion economy: approximately 64% of the total Goods and Services Tax (GST) came from the bottom 50% of the population, and the top 10% contributed 3% of GST. At the same time, the contribution of labour, the other driver of growth, is hamstrung due to dubious educational and skill attainments and halting digital literacy. Productivity is just beginning to get a boost through the creation of digital and physical infrastructure.

The government is aware that the rich are moving into pole position to deliver the $5 trillion target just before the 2029 general election. Clearly, this will bolster upscale India’s influence and power abroad, and the Prime Minister’s primacy in the world.

The government’s tools and sectors for achieving this goal were identified by the Minister of State for Finance, Pankaj Chaudhri, in Parliament on August 2023 as “digital economy, fintech, energy transition, climate change… GST, Insolvency and Bankruptcy Code, decrease in corporate tax, Make in India, Start-Up India, Production Linked Incentives”, all prefaced by the mandatory mantra “inclusive growth”. But these cutting-edge sectors and tools are not native to the 80 crore marginalised citizens and to crores of others. They cannot seize the opportunities on offer in Artificial Intelligence or data science or robotics or fintech — either now or in the next five years.

There are also other issues with Mr. Modi’s guarantee that India will be the third largest economy in five years. First, with a per capita income of $2,400, India ranks 149 among 194 countries in 2022. Since per capita income is a keen index of a population’s well-being, note that the average Japanese at $34,000 is considered better off than the average Chinese at a $13,000, even though China has outstripped Japan in world GDP rankings. What is India’s per capita income projected to be at $5 trillion? There are no official estimates available.

Second, the nub of the chase to $5 trillion GDP is in its distribution, or the inequality index. This index, generated by World Economics, is on a scale of 0-100. A high value indicates a more egalitarian society. The values of both China and Japan are more than 50. These countries appear to be sharing their economic fortunes more evenly than India, which has a value of 21.9.

Will the divide between the two Indias deepen with the $5 trillion target? India might be on its way to achieving this goal, but most of the population still remains marooned in the slow lanes of an older India, watching as the new caravans storm past.

Nalini Singh is a journalist and managing editor of TV Live India Pvt. Ltd.

COMMents

SHARE

poverty / economic policy

BACK TO TOP

Comments have to be in English, and in full sentences. They cannot be abusive or personal. Please abide by our community guidelines for posting your comments.

We have migrated to a new commenting platform. If you are already a registered user of The Hindu and logged in, you may continue to engage with our articles. If you do not have an account please register and login to post comments. Users can access their older comments by logging into their accounts on Vuukle.

END