

A Brief Exercise in not taking the Economic Survey 2020 Seriously*

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This is a quick summary review of the latest Economic Survey (2019-20). I have to admit that this quickly-written assessment is a product of an equally quickly-read Survey. If I have not quite pored over it, it is because I found no evidence in the Survey to suggest that it is a document that was intended to be taken seriously solemnly perhaps, but not seriously. Under the circumstances, I hope I will be forgiven for having spared myself the ordeal of a detailed study of the Survey, and the reader the even greater ordeal of a detailed review of it. Hence this considerably brief commentary.

The Survey is in two volumes, Volume 2 being given over to a purported assessment of the state of the economy, and Volume 1 to the - ah - philosophical perspective guiding it. As far as one can tell, the Vision directing the enterprise seems to be inspired by an infatuation with the perceived virtues of wealth creation and the market. These virtues are seen to be embedded in our civilisational origins (there is much talk of Kautilya and the Thirukural in this tract), and they are extolled with a somewhat startlingly passionate ardour for freedom of the market and against intervention by the government.

In the event, Volume 1 reads like a bewildering advertisement of ancient wisdom seeking and finding endorsement in an essentially rudimentary business school view of the world. This combination of ideas and orientations, executed in somewhat individualistic prose, is inspiring or at least weird if, like me, you are an elderly codger groping in the dark, and old enough to remember that this country once had a CEA of the likes of Ashok Mitra.

And when you encounter reference to our ‘dalliance with socialism’ (presumably in the dark ages before this New Dawn), then things begin to fall into place a little more clearly: you are enabled to see that if the ‘democratic’ and ‘secular’ aspects of our republic, as vouchsafed in the preamble to our constitution, are currently under a new fix, then so is its ‘socialist’ aspect. That, regrettably, is when the jaw starts sticking out and you begin muttering to yourself.

Not that that’s of much help in enabling you to understand why the Survey believes that there is no basis to the criticism that recent growth rates under the NSO’s revised methodology might have been overestimated. Yes: there is actually a chapter in Volume 1 titled ‘Is India’s GDP Growth Rate Overstated? No!’ All that stuff on civilisation and culture and tradition must have been infectious, because when I encountered the chapter, I was reminded of that old Tamil saying: ‘my father is not in the granary’ (this being the young boy’s defensively blurted declaration in the story about the debt-collectors from whom the lad’s father was hiding).

In the bibliography to the chapter, I found references to quite a few articles taking issue with Arvind Subramanian’s recently expressed reservations on growth rate estimates, but one will search in vain for any engagement with the work of R Nagaraj, the most consistent and meticulously careful commentator on the subject. Just saying.

The best is reserved for the last chapter of Volume 1. The chapter, titled 'Thalinomics', is an affecting reminder of the Survey's continuing concern, first reflected in its 2018-19 number, for the common man: 'What better way to continue this modest endeavour for forcing economics to relate to the common man than use something that s(he) encounters every day a plate of food?' In this cause, we are treated to an extraordinary exercise. Vegetarian and non-vegetarian thalis are constructed and costed in terms of the quantities and prices of their respective ingredients.

A linear trend line for the cost of a thali at current prices is fitted on price data from 2006-07 to 2015-16, from which point in time the price of the thali tends to fall away from the trend line. The difference between the trend ('counterfactual') price and the actual price in 2019-20 is calculated, and annualised estimates of the difference for both a vegetarian and a non-vegetarian thali are computed and presented as gains to the common man from benign government policy on thali prices: these gains, one understands, are notional estimates of savings arising from things being not as bad as they might have been under a particular, different scenario. The greatest good that can be done to the common man, it appears, is to invite him to count his blessings, considering that things might have been a good deal worse than they are.

Having said this, there is something else in the numbers put out on thalis by the Survey which seems to have quite completely escaped its authors. From Figure 1 ('Thali Prices at all-India Level') of Chapter 11, it appears that the cost of a vegetarian thali in 2019-20 is in the region of Rs. 23, and of a non-vegetarian thali, Rs. 37. With weights of 0.3 and 0.7 for vegetarian and non-vegetarian thalis respectively these are the population proportions of vegetarians and non-vegetarians in India the weighted average cost of a thali for 2019-20 might be taken to be in the region of Rs. 32.8. The Survey allows for two thalis a day per person, which works out to Rs. 65.60 as the cost of food per person per day.

The Tendulkar Committee poverty lines favoured by the Niti Aayog are Rs. 27 (rural) and Rs. 33 (urban) or, crudely, say, an average of Rs. 30 per person per day at 2011-12 prices; allowing for a 150% rise in prices (which is roughly what is displayed by the Consumer Price Indices of Agricultural Labourers and Industrial Workers) between 2011-12 and 2019-20, the poverty line in 2019-20 at current prices would be of the order of Rs.45 which is less than 70% of the Rs. 65 (according to the Survey's own estimate) that would be needed to avoid hunger! That is to say, a person with an income that is 144% of the official poverty line can keep hunger at bay only by completely emptying out his pockets. Thalinomics, in short, shades off into Khalinomics. My apologies, but as indicated earlier, the mood and language of the Survey tend to be painfully catching.

As for Volume 2, well, it doesn't always quite tally with what a number of economists have read into recent trends in the economy. No doubt it is benighted, if not downright sinister, to entertain the thought that we are looking at a profoundly demand-constrained downturn in the economy, marked by serious rural distress, depressing tendencies in manufacturing output and exports, unprecedentedly high levels of unemployment, opaque estimates of the fiscal deficit, and governmental suppression or/and criticism of data sources that paint an unflattering picture of the economy.

The Labour Force Participation Survey was released only after the elections, and no doubt it would be sensible to wait for the budget to be presented before releasing the NSO's Consumption Expenditure Survey for 2017-18, the leaked report for which presents a sorry tale of consumption downturn between 2011-12 and 2017-18. As for what the long-term effects of demonetisation or the continuing impact of GST on the economy might be, why delve into recent history when we have the comforts of ancient history to see us through? Even the IMF and the World Bank, not to mention various credit-rating agencies, have downgraded projected growth beyond what the Economic Survey will do.

And why not? This Survey is about wealth and entrepreneurship and free markets and privatisation, not about poverty or inequality or public employment schemes. The philosopher P.G. Wodehouse frequently reminds us of the girl Pollyanna who was given, at all times, to being 'glad, glad, glad'; and like his immortal character Gussie Fink-Nottle, we too must set our faces against pessimism. That would be in the spirit of the Economic Survey, which has no use for the low opinion of his fellow-humans' interest in their own wellbeing that a scurvy fellow like David Hume (unlike Kautilya, apparently) entertained. Indeed, the reader is exhorted along the following lines in the Preface: 'We hope readers share the sense of optimism with which we present this year's Survey.'

In one of his essays, Albert Camus describes a brutal boxing match which is preceded by the soothing strains of a violin. He calls it 'the sentimental music before the massacre.' For all that the reader might have been led to believe otherwise from this review, the Economic Survey is just like that. It is the sentimental music before the massacre.

For on the day after came the budget, with its distressingly inseparable twin, the budget speech.

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* This article was originally published in [The Wire](#) on February 6, 2020.