1. Macro-economic stability is a prerequisite to sustainable growth and to job creation. Comment.

Introduction

Macroeconomics is a branch of economics that studies behavior and performance of the economy as a whole. In macroeconomics, economy wide phenomena are examined such as inflation, price levels, rate of economic growth, national income, gross domestic product and changes in unemployment.

Body

There is no single, simple, quantitative definition of a stable macroeconomic framework.

A stable macroeconomic policy environment features:

- a fiscal stance safely consistent with fiscal solvency
- a monetary policy stance consistent with a low and stable rate of inflation,
- a robust exchange rate regime that avoids both systematic currency misalignment and excessive volatility in the real exchange rate.

Macroeconomic stability and sustainable growth:

- A stable macroeconomic framework is necessary though not sufficient for sustainable **economic growth.**
  For instance, in Latin America, the recovery of economic growth in Chile and Mexico was preceded by the restoration of budget discipline and the reduction of inflation.
- High inflation introduces high volatility in relative prices and makes investment a risky decision. This will **negatively impact the growth.**
- Prudent macroeconomic policies can result in low and stable inflation.
  Example: India witnessed its best phase of macro-economic stability during 2014-19. Average inflation is down to 4.6% during this period.
- By moving toward debt sustainability, policymakers will help create the conditions for steady and **continuous progress on growth**
- Inappropriate exchange rate policies **distort the composition of growth** by influencing the price of tradable versus non-tradable goods.

Macroeconomic stability by itself, however, does not ensure high rates of economic growth. In most cases, sustained high rates of growth also depend upon key structural measures, such as regulatory reform, privatization, civil service reform, improved governance, trade liberalization, and banking sector reform,

Macroeconomic stability and Job creation:

- Large swings in economic activity, high inflation, unsustainable debt levels and volatility in exchange rates and financial markets can all contribute to **job losses.**
- In order to generate employment at the required scale, countries will have to achieve sustained growth, which in turn critically depends on supportive macroeconomic policies. Example:- USA
- Appropriate macroeconomic policies, along with active labour market policies, can help to manage the cyclical threats to employment, and also boost skills and capacities to ensure that workers can adapt to longer-term structural changes.
- Also, Continued and sustained economic growth is a precondition for employment.

Why is it difficult to achieve macroeconomic stability:

- Macro-economic decisions may even damage the interests/goals of individual economic units.
- Existence of non-merit subsidies is leading to higher levels of inflation.
- Volatile global markets also lead to macroeconomic instability.
- Populist policy measures like farm loan waivers are leading to increased fiscal deficit.

Conclusion

Macroeconomic stability coupled with adequate policy measures and labour reforms can only lead to sustainable growth and job creation.

2. While low inflation is desirable in itself, the impact on farmers also needs to be taken into account. Comment. What policy measures can be taken in this regard? Suggest.

Introduction:

Low Inflation is a phenomenon when the prices of goods and services do not increase rapidly. This situation is not much harmful for any economy because it could be controlled by the adoption of certain measures unlike high inflation which is almost uncontrollable.

Body:

Low inflation contributes towards economic stability which encourages saving, investment, economic growth, and helps maintain international competitiveness.

Why low inflation is desirable:

- Increases investment: If inflation is low and stable, firms will be more confident and optimistic to invest, this will lead to an increase in productive capacity and enable higher rates of economic growth in the future.

- Competitiveness: Low inflation means countries export relative more competitive

- Stability: Firms can predict future costs and prices

- Real savings: Low inflation prevents saver seeing fall in real value of savings

- Prevent boom and bust cycle: High inflationary growth tends to be unsustainable

- Interest rates: A low inflation helps in keeping interest rates in check, which in turn helps corporate

Impact on farmers due to low inflation:

- Lowering food prices mean weakening rural incomes and rural demand. Lower income increases debt burden on the farmer, which constitutes a vicious cycle in which the farmer is trapped, leading to farmers' suicide.

- At lower rates of inflation, the price received by farmers for their products are comparatively lower than normal periods. Ex: Farmers in Shahganj, MP were forced to throw their tomatoes on roads due to unremunerative prices.

- Prices paid by farmers for various inputs decreases slower than the prices they receive for their products, thereby the terms of trade for farmers deteriorate at lower levels of inflation.

Policy Measures:

- The government announced new minimum support prices (MSPs) for kharif crops to ensure that farmers get 50% returns over costs.
- The Cabinet Committee on Economic Affairs has given its approval for Green Revolution - Krishonnati Yojana in agriculture sector.
- Recommendations of Ashok Dalwai Committee on doubling farmer income must be taken into consideration.
- Krishi Kalyan Abhiyan was launched by Ministry of Agriculture and Farmer Welfare with an aim to aid and advice farmers to improve their farming techniques and raise their income.
- The government launched an umbrella price support scheme named Pradhan Mantri Annadata Aay Sanrakshan Abhiyan to ensure farmers growing pulses and oilseeds receive remunerative prices.
- PM-KISAN- To provide income support to all Small and Marginal landholding farmer families having cultivable land.

Conclusion:

Usually, low inflation has many benefits, which help improve the economic performance of the economy, however in some circumstances keeping inflation low may be unsuitable for the economy. Therefore, the government should perhaps aim for low inflation but have a degree of flexibility if this appears unsuitable to the current economic climate.

3. Examine the impediments that have constrained the growth of exports in India. Suggest policy measures to address the same.

Introduction

India has set an ambitious target to double exports of goods and services to $900 billion and raising the country's share of global exports to 3.5% from about 2%, by 2020, fulfilling which requires a high growth in export sector.

Body

Impediments in growth of exports in India

External factors:

- Global growth slowdown, which as per IMF it is expected to shrink to 3.3 per cent in 2019.
- Non-tariff barriers by other nations, mainly in case of phytosanitary products e.g. By European Union in case of mangoes.
- Protectionist measures, along with withdrawal of Generalized System of Preferences (GSP) status, by US, which is our largest export destination.
- In most of our FTAs, our counter parts are getting more benefits. For example, India-ASEAN FTA has negative impact on India's export of oil palm and textiles because of competition from Indonesia and Vietnam.
- Most of India's preferential trade agreements (PTAs) have limited product coverage. For example, the India-Mercosur PTA doesn't include textiles and apparel items.
- Global issues like Brexit, macroeconomic stress in Argentina, Turkey and Italy, and the US-China wrangle cause uncertainty in the markets.

Internal factors:

- India's export is not diversified which is evident from the fact that top 20 export categories account for 78 % of the total.
- Competition from neighbouring countries facilitating cheap labour and favourable policies. E.g. Competition in Textile from Vietnam and Bangladesh.
- India is still exporting majority of raw material instead of the final products, for e.g. India is exporting cotton yarn rather than technical textiles

- Poor logistics infrastructure results in weak trade facilitation regime. Cost of India's logistics as a percentage of GDP remains as high as 13-14 %, compared with 7-8 % in developed countries. In World Bank's Logistics Performance Index 2018, it ranks 44, below China (26) and Vietnam (39).
- India's ill-conceived trade pacts have resulted in inverted duty structure - High import duties on raw materials and intermediates, and lower duties on finished goods - That discourage the production and export of value-added items. For e.g. apparel can be imported into India duty free while its raw material -manmade fibers attract an import duty of 10 %.
- As per Economic Survey, there is huge state-wise regional disparity in prevalence of manufacturing industries where few states contribute to major chunks of export.
- Land and labour reforms are still pending, hindering large scale investments in export sectors.
- In case of agricultural exports, low value addition & lack of food processing keeps export low by value.
- Tightly regulated markets do not give enough space for exports to grow. Under the World Bank's Doing Business rankings, India ranks 77, compared with China at 46 and Vietnam at 69.
- Slow progress in drafting trade agreements impacts its ability to participate in global value chains, affecting export growth.

Policy Measures

- India must move up from low-productivity sectors by improving the quality of its human capital.
- Focus on new products like food commodity so that the growth is more resilient and sustainable. Also, it will cushion our exports from the global volatility and shocks in the long run.
- Ease of doing business by reducing red tape, enhancing foreign direct investment limits, revamping labour laws and environmental clearance processes, thus making manufacturing hassle free.
- Improve logistics, by developing industrial corridors, waterways, etc. as in case of Sagarmala and Bharatmala.
- Initiatives like Sampada, which are promoting food processing industry should be given impetus.
- Quality control based on international standards so as to prevent our goods from non-tariff barriers.
- Diligent drafting of trade pacts taking into account the long term goals.

Conclusion

To realize the ambitious targets India has set for itself, it needs to provide not only an impetus to infrastructure and process involved but also invest highly in human capital to make necessary transition from agriculture to manufacturing and services.

4. India's social protection schemes are too many in number, and too inefficient. Do you agree? What suggestions would you give to address these issues?

Introduction:

India being a social welfare state has more than hundreds of schemes if we include both centre and state-sponsored programs in different sectors such as health, education, agriculture etc. to provide better facilities and social protection to the people especially vulnerable section such as poor, women, Children, Senior citizen etc.

Body:

Some of the flagship schemes are:

- Integrated Child Development Scheme
- Atal Pension Yojana,
- Surakhsa Beema Yojana
- MNREGA
- Mid-Day Meal,
- Ayushman Bharat
- Pradhan Mantri Awas Yojana
- PM-Fasal Bima Yojna

Despite having so many social protection schemes, India is far behind in creating a harmonious and prosperous society because of Inefficiency of government in the implementation of these schemes due to the following factors:

- **Lack of Data causing the inclusion-exclusion error**: Most of these initiatives depend on an eight years old database based on 2011 numbers_ the Socio-Economic Caste Census (SECC) _ in an economy which is transforming fast, and where some people have climbed up the income ladder while others have fallen down.
- **The multiplicity of schemes**: many schemes are designed for the same purpose. Ex. Multiple pension and insurance schemes.
- **Hectic and cumbersome process**: to get the benefits of schemes. Ex. The complexity of Documentation, Red tapism, Etc.
- **Improper monitoring** of schemes and absence of feedback system leads to lack of accountability of implementing officer
- **Misalignment of incentives:** Low incentive for officers to implement the scheme in its full potential. Ex. AASHA worker getting less salary.
- **Budget constraints and limited resources of states**: states are not able to implement such a large number of centrally sponsored schemes.

- **Leakages:** in the system. Ex. PDS leakages.
- **Nexus**: of politicians and private companies. Ex. Pharmaceuticals companies don't want generic medicines to be sold by the government under PM-Bhartiya Janaushadhi Pariyojna.
- **Delay**: by private companies in PPP model schemes. Ex. Insurance companies not clearing claims of farmers under PM- Fasal Bima Yojna.
- **Lack of awareness among people:** Government fails in creating an aware atmosphere where people know what the government is doing for them. Illiteracy also causes hindrance in awareness.

Suggestions:

- There is a need to rationalize existing welfare schemes. Schemes should be merged with larger sectoral schemes.
- SECC-type exercise needs to be repeated at frequent intervals to ensure that it matches current reality.
- Use of JAM (Jandhan, Aadhar, Mobile) Trinity for better targeting and Direct benefit transfer.
- Schemes can be tailor-made as per the local conditions as customized policies may work better than homogenous ones in some states
- Need for better coordination among the centre and state governments.
- Need for better coordination among private entities, community, civil society, NGOs and government in designing a public policy in order to improve the transparency, quality and effectiveness of a scheme.
- Need for awareness to the last beneficiary using newspaper, radio, TV, Mobile, Posters, Nukkad Natak, NGO etc
- Incentive-based approach to incentivize the implementing officer.
- The government must employ advanced-monitoring and performance-evaluation techniques to track the progress of schemes and ensure that all relevant data regarding their implementation is available in the public domain.
- The integration of technology-enabled data-collection systems with an online database for timely and accurate updates on program developments.
- Audit by third-party agencies enabling relative neutrality in performance evaluation.
- A universal basic income is a powerful idea which must be implemented.

Conclusion:

Social protection is crucial in ensuring equitable development and it will catalyze the transition to a more stable and robust economy which is must for a New India. Uses of Digital India and E-Governance such as PRAGATI platform are the right steps in this direction.

5. Agriculture needs to be treated not as a sector that has to be propped up through repeated sops, but as an engine of India's job creation and growth. Comment.

Introduction:

While the Agriculture sector in India, with its share in India's economy declined to less than 17%, which provides livelihood to close to half of India's population, has raised concerns, the sector's importance in India's social and economic fabric goes beyond these indicators. It is very rightly called an important engine for inclusive growth in the country.

Body:

India is a global agricultural powerhouse. However, there are shortcomings in the actual realization of this as an engine of growth due to the increased support to the sector through repeated provision of sops rather than fueling the competitive growth.

Sops/ Concessions given by the government:

- Subsidies: Direct Farm subsidies involve rendering cash to the recipient farmers like food subsidy, MSP-based procurement, providing cash directly to the farmers to buy fertilizers etc. Indirect farm subsidies are not provided in the form of cash but supporting farmers in an indirect manner. For example- subsidizing fertilizer companies to provide cheap urea to farmers.
- Cheap credit facilities and waivers: farm loan waivers, reduction in irrigation and electricity bills.
- Price and Income Support Policy: Various income support policies like Minimum Support Price (MSP), Minimum Export Price (MEP), Market Intervention Price (MIP,) Buffer Stocks Operations, Public Distribution Systems etc.

Impact of the above on agriculture:

- Leads to wasteful expenditure leading to more wastage of resources rather than supporting agriculture. For example: Overutilization of fertilizers in Punjab and Haryana due to subsidised fertilisers resulted in the poor NPK balance in soil, rendering it unfertile in the long run.
- Diversion from the actual root causes of agricultural problems and concentration on short-term policy measures.
- Hampers the competitive growth and exposure required for a robust and inclusive agricultural space.

Measures to boost agriculture as an engine of growth and job creation:

- **Enhanced Agricultural productivity, competitiveness and rural growth:** The contribution of Agri sector in India's GDP (16%) is greater than the world's average (6.4%), thus policy intervention in the right direction can fuel the sector as a key space in the economy.

- **Liberalize constraints to marketing, transport, export and processing**: Improve access to domestic and international markets.
- **Increase investment in research**: Cover new seeds, disseminate new farming techniques widely etc.
- **Improve water resources and Irrigation/Drainage Management**: Piped conveyance, better on-farm management etc. and increasing productivity over land usage.
- **Eschew loan waivers:** As it only diverts resources from needed investment, focus should be on allocation for capacity building.
- **Implement successful policies and rationalize public expenditure with priority to scheme with high returns**: Move to a fixed cash subsidy per acre cultivated based on digitizing and identifying plots as demonstrated successfully by Rythu Bandhu Scheme of Govt. of Telangana.
- **Employ rural youth and promote entrepreneurship**: Successfully demonstrated by the Custom Hiring Centre model implemented by Madhya Pradesh to hasten the pace of farm mechanization.
- **Facilitate conversion of agricultural waste**: Provides a further fillip to farmers' income.
- Encourage village level procurement systems to create a robust value chain, providing employment to rural youth.
- **Convergence of schemes**: Integrate MGNREGA with Blue revolution to promote aquaculture, creation of potential clusters etc.
- **Agriculture and private sector:** Facilitates transition from Agriculture to robust Agri-business systems.
- **Skill development:** Skill development centers providing essential required skills and techniques and helping in capacity building of the young population preparing them for efficient employment.
- **Creation of Agricultural Universities in every state:** Enhancing the outreach of Agriculture as an important sector and attracting and retaining youth in this sector.

Conclusion:

According to IMF, India's economy is predicted to be soon the fastest growing economy in the world. Thus, Agriculture sector in India could become a solid foundation for a robust economy and a central pillar of rural development (approx. 67%), if driven with a more productive, internationally competitive, diversified and sustainable agricultural policy and reforms.