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## Amrit Kaal of the Indian Economy

Recently, India celebrated 75 years of Independence. The idea of Amritkaal extends that forward to the next twenty-five years, to 2047, when India will celebrate 100 years of Independence. The India of 2023 is different from the India of 1947 and the India of 2047 will be different from the India of 2023 in ways few can anticipate and project today. If one casts one's mind back, how many would have guessed changes wrought in India in the last twenty-five years? The world is uncertain and the long-run even more so. While the future is always uncertain, the current state of the world has been permeated with an additional dose of uncertainty - Covid, geo-political tensions, collapse of the multilateral system and regionalism, retreat of advanced countries from globalization and the dreaded expression of "recession" in some of those countries. These are

external shocks that have been thrust on India, as they have on many emerging market economies, and underline collapse of institutions that provide global public goods, Bretton Woods Institutions included. In passing, global governance has yet to accept rise of economies like India. Lord Keynes is often quoted, usually out of context. A clichéd quote is, "In the long run we are all dead." If one reads the complete text (The Tract on Monetary Reform, 1923), one will find the intention wasn't quite what out-of-context quotes convey.

There is much that is uncertain, in the present and in the long-run of the future. But there is much that is also certain. Within that band of certainty, it is impossible to dispute India's inexorable economic rise. At one point, much was made of the Goldman Sachs report, on



dreaming with BRICS and path to 2050, authored in 2003. (1) In that report, the average real rate of GDP growth for India was around 5.5%, the explosion in aggregate GDP and per capita GDP by 2050 explained by the nature of the exponential function. (2) That report didn't have a figure for 2047, but did have one for 2045. In 2045, India's aggregate GDP was projected to be 18.8 trillion US dollars and per capita GDP of just over 12,000 US dollars. (3) None of the reasons behind optimistic projections have been nullified by the present uncertainty - increase in savings/investment rates as a result of demographic transition and income growth, growthdrivers in more efficient land, labour and capital markets and productivity enhancement. To use an economist's expression, India is still within the production possibility frontier, not on it. To state it differently, aggregate growth for India is a summation of growth in States and States are within their respective frontiers, providing plenty of endogenous slack for growth. Had the external world been more benign, India might have grown at 9%. Typically, one tends to extrapolate the gloominess of the present to the future. It is by no means obvious that the external world will continue to be difficult for the next twenty-five years. But even if that were to be the case, India might not grow at 9%. What real growth rate seems reasonable?

The answer depends on the person making the projection and the assumptions. A nominal figure depends on assumptions made about inflation, which is why projections are often in real terms, in today's dollars. A dollar figure also depends on assumptions made about the dollar/rupee exchange rate, which is why projections often assume the current exchange rate. (Goldman Sachs assumed rupee appreciation vis-à-vis the dollar.) A PPP (purchasing power parity) exercise is naturally different. With inflation and exchange rate changes out of the way, what trajectory of real growth sounds reasonable? The pessimistic forecaster will point to state of the external world and domestic inefficiencies and opt for 5.5%. The optimistic forecaster will point to empowerment through ease of living and provision of basic necessities, ease of doing business, supply-side reforms, and Union government's capital expenditure and opt for 7.5%. That's the rough range, with the recognition that as one grows, growth rates slow. As one moves up the development ladder, it becomes more difficult to grow as fast, with the caveat that different States are at different levels of development and there is plenty of slack. To return to the certainty of the long-run, one can plug in one's own assumptions about real growth, say something like 6.5%, between the two extremes of 5.5% and 7.5%. In 2047, India's per capita income will then be something like 10,000 US dollars. The total size of the economy will approach 20 trillion US dollars. These numbers are roughly in the same range as the Goldman Sachs one. In Goldman Sachs, the role of exchange rate appreciation was relatively more. In such projections, the role of real growth is relatively more.

If reforms drive the Indian growth trajectory to higher than 6.5%, and that Citius, Altius and Fortius possibility cannot be ruled out, the corresponding numbers will be higher. Even with the relatively conservative numbers, this means India will be the third largest economy in the world, after United States and China and this will naturally be reflected in India's global clout. If one does a PPP ranking, India will be the second largest, after China. The annual rate of population growth has slowed and is now less than 1%. Nevertheless, in 2047, India will be the most

populous country in the world, with a population of something like 1.6 billion. Expressions like "developed country" are rarely used these days. The term no longer has a specific definition. The World Bank uses terms like middle-income. Today, India is classified as a lower middle-income economy. In 2047, India will move to the upper middle-income category. Once one approaches a per capita income of 13,000 US dollars, the status becomes high-income. That's when India can be said to be "developed". In 2047, India will fall short, but the face of poverty, as we know it, will be completely transformed.

Measurement of poverty is based on the notion of a poverty line and using a multi-dimensional poverty index. UNDP has recently documented the sharp drop in number of poor people in India. As economies develop, the notion of a poverty line is of course moved up, beyond a subsistence level of consumption. However, officially, the poverty line used is still the Tendulkar poverty line. Unfortunately, consumption expenditure data, used to measure poverty, do not exist beyond 2011-12. Therefore, different people have used different assumptions to measure poverty today. If one uses PLFS (periodic labour force survey) data and the Tendulkar poverty line, the poverty ratio (percentage of population below the poverty line) is around 17% now. By 2047, this ratio will decline to around 5%. SDG (sustainable development goal) reports, among others, have documented pockets of deprivation in selected geographical regions, targeted by the government through the aspirational districts programme. India is heterogeneous and despite provision of basic necessities (physical and social infrastructure, financial inclusion, access to markets, technology, digital access) and the overall message of empowerment, there will be pockets of poverty, even in 2047. But the nature of that poverty will be very different. India will achieve universal literacy, or be pretty close to it. UNDP uses HDI (human development index), an aggregate measure, to gauge human development, moving beyond poverty ratios. Today, India is in the medium human development category, judged by HDI. In 2047, India will move to the high human development category.

There are five transitions going on and these will be even more marked in 2047. First, there is a rural to urban shift and urbanization is correlated with development. By 2047, almost 60% of India's population will be urbanized. Delhi and Kolkata with populations of around 35 million, Mumbai with more than 40 million. The mind boggles and the government's programmes are meant to ensure that urbanization is managed better. Second, there will be greater formalization of the economy. Yet again, formalization is correlated with growth and development. Individuals will have formal job contracts. MSMEs will graduate to become legally registered. Indian companies will become larger and more efficient, integrated into global supply chains. Third, the percentage of the population that earns a living from agriculture will decline. Agriculture's share in GDP will decline to something like 5% and the percentage of population that earns a living from agriculture will not be more than 20%. Fourth, within agriculture, there will be a shift away towards commercialization and diversification and larger farms. Fifth, there will be greater citizen participation in governance with the "sabka prayas" theme. For years, there was a colonial chip on the shoulder. But the present India is a proud India, a resilient India, an aspiring India. Amritkaal is about that and the country is making great strides on economic front with greater confidence and entrepreneurship.

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26<sup>th</sup> REPUBLIC DAY  
January

The Board of Directors, Management and the Staff of KAMAL STEEL LIMITED, wish to congratulate the people of India on its Republic Day

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The Board of Directors, Management and Staff of CANARA BANK (T) LTD wish Indian nations and friends of India a very happy 74<sup>th</sup> REPUBLIC DAY OF INDIA.

74<sup>th</sup> India Republic Day

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HAPPY 74<sup>th</sup> REPUBLIC DAY OF INDIA