

"Budget 2020 reads like a five-year plan with lots of targets but no road map."

Budget 2020 was presented in a context where, for perhaps the first time in two decades, it had become clear that the Indian economy is stuck in a quicksand, where apparent solutions seem to also risk becoming problems. The issue is not one or two areas of weakness: Accumulated infirmities have tied us in knots. So there is a call for an expansionary fiscal policy. Given the dire straits we are in, an expansionary policy is attractive. But how do you do it in a context where the de facto fiscal policy, if you combine the deficits of the states, is already expansionary, as Subhash Garg and many others have pointed out? There is rightly a call to address the slump in rural demand? But how do you do that when you have spent half a decade trashing mechanisms like the MGNREGA and the administrative machinery associated with it?

There is a call to increase capital investment and more build more infrastructure. Fair enough. But how do you do that beyond a point, in a context where part of the problem is that financing massive infrastructure expansion over the last 15 years, without a sustainable financial plan or robust financing institutions, led to this crisis in the first place? And in any case, the effects of this spending will kick in over the long run only. You might have been able to address this if financing in critical sectors, electricity and real estate, had been fixed. But wait: Who is accountable for the fact that the promising power sector reforms over the last six years barely lit up the sector as far as finances go? The banking crisis continues unabated, as if the UPA's perfidy can excuse the last six years of slow action. Can we have a coherent exchange rate policy when the interests of some sections of big capital collide with the needs of exporters? The tension between swadeshi thinking and globalisation is manifest in so many things. For instance in this budget, there will be tax remittances under LRS. Can you have coherent taxation policy, when you are in the midst of missing all targets? But worse, the government cannot decide whether it wants to simplify or control. India's declining savings rate is also a cause for concern.

Look at the institutional side. What will happen to cooperative federalism, since it seems that the Finance Commission will upset the delicately-built consensus on Centre-state financial relations by possibly changing the formula for fund allocations? The IBC was a promising initiative, but, like so many government initiatives, runs the risk of floundering because of the government's own legal nonchalance. The integrity of India's data is, for the first time, under a serious cloud. To meet short term-targets, you continue to mess with public institutions like the LIC. Very frankly, the finance minister's caution on both more consumption spending and capital investment in the Budget is a reflection of one stark truth: There is now less confidence, even in government, in the government's execution capabilities. Can they even design these stimuli efficiently? Education and defence continue in their low-level but eternal stasis, while health is stumbling towards an architecture whose financial implications are not clear. So you have to feel for the finance minister. In such a quagmire, how is it possible to have any convictions at all? How does one be certain that the economy will take up any action you intend in the way you intend it? After all, no matter what the Bhagwad Gita might say about ethics, when it comes to the economy, it is not the intent or action but the consequences that matter.

How do you think in such circumstances? You resort to doing the two things we know how to do. First, have faith in the civilisational DNA of the Saraswati-Sindhu civilisation. It was, doubtless, a great civilisation, still vibrant in

many ways. But it can now be charged with rescuing a 21st century economy. Second, appeal to a mindset that encourages constant concession bargaining with the state.

Many of the details announced in the Budget are potentially promising. The emphasis on clean water could be far reaching. In part, the Budget reads like a five-year plan with lots of objectives and targets but no road map. Some “reforms,” like land titling, will depend on execution. But the fundamental premise of the Budget is this: You still gain legitimacy by acting as a Mai-Baap state, where every section of the society looks to some hard-won concession. The logic of these concessions is not economic or based in justice. It is based on placating different sections. The corporate tax cut, announced off Budget, had no bearing on reviving the economy — nor was it based on justice. It was more about placating a pressure group. Corporates don’t want dividends taxed, so you please them. But you then shift compliance costs to individuals in the very Budget that you are arguing for tax simplification. To counter-placate, you do a supposed tax cut or simplification for the middle class. But creating so many tiny slabs hardly counts as simplification. As the fine print of the Budget is sifted over, these contradictions will become clearer. The Budget speech, promisingly, devoted a lot of time to agriculture. But in the end, farmers got very little. But these are not just a hangover of inherited bureaucratic mind games. The nature and ineffectiveness of these concessions are a consequence of the fact that you are still trying to placate too many constituencies, with too little to go around, all with the primary aim of perception management rather than fixing real problems.

So is the Budget disappointing? Depends on what you expected. You can perhaps feel a sense of relief that the government did not take another big wrecking ball and hit the economy. You can sympathise with the Finance Minister. The things that it will take to fix the economy cannot be done in the Budget. They will require to use Max Weber’s much-quoted but always relevant phrase, “the slow boring of hardboards,” in routine governance. The problem is that most of the government buys its own rhetoric of success and so year after year, a finance minister comes to the country with the same problems that remain unfixed. The Budget can be criticised for its lack of boldness. But in a way, that is the most honest thing about it. It is an admission of defeat; the Saraswati-Sindu civilisation is not transforming into a great of the 21st century in a hurry.

Expected Questions (Prelims Exams)

Q. Consider the following statements in the context of the Union Budget 2020-21:

1. This time budget focuses on three points Aspirational India, Economic Development for All, Caring Society.
2. All eligible beneficiaries of PM-KISAN will come under the Kisan Credit Card Scheme.
3. There is a provision to allocate Rs 6000 crore for the Bharat Net program in 2020-21.

Which of the above statements are correct?

- (a) 1 and 2 (b) 2 and 3
(c) 1 and 3 (d) All of the above

Note: Answer of Prelims Expected Question given on 1 Feb., is 1 (c)

Expected Questions (Mains Exams)

People had high expectations from the government from the 2020-21 budget. Does this budget is satisfies their aspirations? Critically evaluate. (250 words)

Note: - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC main examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.