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A CASE STUDY OF MODIECONOMICS VERSUS OBAMAECONOMICS – ACHEY - DIN REFORMS AHEAD

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In an election verdict – proclamation earlier in many states vindicated and he had presented a case for '**Achey Din wave length'** by the Prime Minister in view of the anticipated bonanza to the developing world, particularly India as a spin off to the global crude oil windfall etc. Now with the every Budget session due impact yearly or thereafter consecutive 2 years past, the Direct Tax Code and the budgetary exercises being in full swing with the North Block mandarins, and thus our approach to make a case for lowering of the tax regime – **Achey Din**?. This indeed is imperative to kick start the growth engines in the economy and for bringing about a favorable cool and calm investment climate. For the Prime Minister this also unravels an opportunity to do away with the poorly planned government schemes and the half hearted and shoddy austerity measures of the years by gone. In no less a measure this should not turn out to be another exercise in vain for jacking up of government investments in ill conceived development schemes earlier that has miserably failed the masses over & above the post independence years, as he stated

In fact the danger looming before the world at large is because of uncertain markets and the drastically poor export demand internationally. Let us briefly review the global scene and the response from other economies. The question indeed is whether our country, follow the traditional *Keynesian economics* of lowering the taxation rates to boost household savings for improving the investment climate or for annual deficit budgets that bank on burrowed funds leading to fiscal deficits, for public subsidies and investments in poorly conceived socio-economic programs that India is used to. To draw a simile to *Narendra Modi* with *John F Kennedy* who became the President of the United States in 1961 and brought *Keynesian ideas* to national thinking to expand national income. One of his key policy measures was to drastically reduce taxes and the outcome was phenomenal with a fivefold rise in real GDP and fall in unemployment rates that has happened.
Incidentally with a growth forecast of 7.3 percent during 2015 the Chinese government is on an overdrive to boost its investments in order to maintain its growth forecasts like many other economies whereas the United States is currently struggling to get inflation to reflect manufacturing and construction take off. It is worth understanding that *Quantitative Easing* is an *unconventional technique* first used by the Bank of Japan more than a decade ago and now by many administrations such as with the *European Central Bank and the US Federal Reserve* are another one example . Most economies including India focus on buying covered bonds, a form of corporate debt, thus the US Federal Reserve holdings equal almost 20 percent of US GDP whereas European Central Banks assets were worth 30 percent of its GDP.
We do assume that almost 60 percent of the US corporate cash reserve are outside the US and bringing it back would imply raising the taxation rates which will not be politically or economically the right approach for the **Obama - economics** think tank. It is also an equally interesting observation that invariably huge public investments as during the great depression or government austerity measures as in the past to kick start the economy may not yield as good a result as boosting of the cash reserves with the consumers and the

households as well. Further the stock markets ostensibly are driven more by the confidence of the consumers and in India the highly volatile stock market conditions need such an adrenaline push in no less a measure. It is also an irony that barely 1% of the population in India perhaps the service class pays its taxes and bears the burden of welfare schemes as also the plan and non-plan expenditure for the government. In the developed world and more so in countries such as the US historical study reveals that low interest rates and reduced indirect taxation rates do spook up investments. In a country like India where individual enterprise and entrepreneurship have been traditionally valued as an asset, lowering of tax rates thereby making goods and services cheap would help not only in boosting household savings but also in improving the investment climate as a whole. Considering the inefficiencies, the state run institutions and projects seen in India year's bygone post-Independence, it is better imperative to have private participation along with the public particularly in infrastructure development. In the West, observed that the economic growth is fueled through major infrastructure development even which may in itself be a mirage as real economic growth may still elude these economies.

We in India would do well to understand that for a country of our size and diversity the best investment by the government would be in education and health that would deliver great outcomes over the long run in terms of enterprise, innovation and creativity that will be the cornerstone for future growth in an era of technology and information whereas the private sector may do well when it comes to better decision making and to ensure returns on investment. As spin off, better efficiencies and improved employment opportunities in a globally competitive world would be a definitive outcome. It would be a strategic approach and a tactical measure to attract foreign direct investment particularly in Greenfield projects as well, with lower tax rates in India *vis-a-vis* the developed world. The developed world, including the US, is well aware that it could remain an attractive destination for overseas investors considering the huge availability of an amount of USD 2 trillion from their international cash reserves.

Reduced taxes would imply a growth push and increasing the interest rates by the central banks have been resorted to by most central banks to control money supply and inflation in as much as regulating liquidity and ensuring export competitiveness through currency depreciation. From a historical perspective it would be seen that most countries are vary of the fact that in a globalised world transnational corporations may easily shift their base for cost effective and better and cheaper manufacturing. No wonder that the developed economies with little or no politico-bureaucratic indulgence perform much better and corruption is kept at bay. In view of the foregoing it is fervently hoped that the **Modinomics** would take a cue from **Obamanomic**s and would find a strategic path to usher in tactical solutions as discussed above by not only making Indian economy more liberalized or by eradicating the archaic jungle of bureaucratic rules and regulations ranging from the labour laws to the much needed reforms in goods and service taxes regime and the excise and income taxes that have eluded the Indian electorate in the past. India will no doubt emerge as an attractive investment destination or to provide the much needed relief to both the honest tax payers and the foreign investors through the much needed reforms and liberalization and by reduction of the taxation rates so as to usher in the '**Achey Din'** that the country awaits.

SHALL WE SAY -INDIA IS DOING BETTER NOW

Prime Minister Narendra Modi told in many times that reforms must be undertaken not to grab headlines but to touch the lives of all Indians, especially the poor. Inaugurating the sixth Delhi Economics Conclave, Modi said the economy was doing better in all parameters than 2 years ago when the *National Democratic Alliance* government came to power at the Centre. "By almost every major indicator, India is doing better than when we took office ago... GDP growth is up and inflation is down, foreign investment is up and CAD (current account deficit) is down, revenues are up, the fiscal deficit is down and the rupee is stable... This did not happen by accident, this success is a result of a series of well-thought policies," he said, describing the reform initiatives to transform India as "*a marathon and not a sprint."*

IS IT MODI'S BRAINSTORMING IN INDIA INC IS FOR - ACHEY - DIN FOR BUSINESS

Mr. Modi, underlining the importance of the **JAM—Jan Dhan, Adhar, Mobile-vision,** said that it was about '**Just Achieving Maximum' – word JUMLA**.
"For me JAM is about achieving maximum -- achieving the maximum values for every rupee spent, maximum empowerment and maximum technology penetration among the masses," he said. "I firmly believe that India's people are far more mature and far more public-spirited than arm-chair critics and experts give them credit for. An important governance issue is a mutual trust between citizens and the state," the PM added.

Modi also said his government has managed to reduce wasteful expenditure through innovative methods like the use of technology and use *Aadhaar* for targeted subsidies to the deserving. He said India has enormous entrepreneurial energy. "This needs to be harnessed so that we become a nation of *job creators rather than job seekers*," he said at the conclave that is being attended by economists from India and abroad.

Noting the success of the *Pradhan Mantri Jan Dhan Yojana etc* under which 190 million people have been brought under the banking net, he said that there is strength at the bottom of the pyramid. The Prime Minister said that the Jan-Dhan accounts at present have a total balance of almost Rs 26,000 crore but shall we ask the question about the PPF case?

COMPARATIVE INDIA'S ECONOMIC GROWTH TO SURPASS A CHINA'S - 2015-16: ANALYSIS ON UN REPORT

He said that the country's indigenous **RuPay Cards** enjoys a market share of 36% in the debit card segment while this was dominated by foreign players. He added that for the first time, the government has entered into a monetary framework with the Reserve Bank of India to curb inflation. "We embarked on a course of fiscal consolidation, we entered for the first time into a monetary framework agreement with RBI to curb inflation," Further he said, adding that the need of the hour was to think beyond conventional remedies. "Our idea of reform should be inclusive and broad-based... but how long and when? The goal of reform is not better headlines in the big papers but better lives for our people" as he replied by smiling face.

CONCLUDING REMARKS

India can increase investments without borrowing more, a key government report said on Friday, in an indication that Finance Minister Arun Jaitley will stick to debt targets in his maiden full-year budget. The economic survey, the basis for Jaitley's budget for the fiscal year starting April 1, forecast the economy would grow by 8.1-8.5 percent under a new calculation method that makes India the world's top-growing big economy. The survey was prepared by the finance ministry's chief economic adviser *Arvind Subramanian as he has* highlights of the survey that could be achieved for the **ACHEY DIN**:
* India must meet its medium-term fiscal deficit target of 3 percent of GDP that will be adhering to fiscal deficit target of 4.1 percent of GDP.
* Govt. Ensure expenditure control to reduce fiscal deficit and it could be switching to investment key growth GDP growth at over 8 pct y/y. accordingly, double digit economic growth trajectory now a possibility at market prices seen between 8.1 - 8.5 percent on new GDP calculation formula as introduced. And lastly, total stalled projects seen at about 7 percent of GDP, mostly in private sectors.
Despite of all those steps as taken by this government regarding the **ACHEY Din through MODI ECONOMICS** or on basis of **OBAMA ECONOMICS,** still there is big gap and require scope for big bang reforms now to increase public investments to hit its borrowing targets.
So far as inflation, shows declining trend but un satisfactory and need to introduced & opens up space for more monetary policy easing to cube it. Suggest to Central bank need to conclude monetary framework pact

to consolidate gains in inflation control within consumer inflation range between 5-5.5 percent to main Liquidity conditions comfortable expected to growth revival.

Regarding fiscal consolidation as committed that India can balance short-term imperative of boosting public investment to revitalize growth with fiscal discipline waiting the outlook for external financing is correspondingly favorable growth oriented than other purpose.

The current Account Deficit control that has estimated about 1.3 percent of GDP shall be reduce substantial in range of less than 1.0 percent of GDP. The term another one in term of subsidies, overhauling of subsidy regime would pave the way for expenditure rationalization to accelerated growth.

Reported the figures by CSO Indian economy appears to have now gone past the economic slowdown, persistent inflation, elevated fiscal deficit, slackening domestic demand, external account imbalances and oscillating value of the rupee. A high growth rate expected desirable as the reforms taken forward through-deregulation of diesel prices, taxing energy products, replacing cooking gas subsidy by direct transfer, etc.

The 14th Finance Commission drafted that the finance ministry to aim at fiscal deficit of 3.6% of GDP. **But subsidies** are not having effective on living standards of the weaker section of the society poor. Price subsidies are often regressive & contra to the poor than rich. Eliminating or phasing down subsidies is neither the 4.24% of GDP. Reveal that a bad weapon for fighting poverty at this stage and it is neither feasible nor desirable.

Growth of Domestic demand and export growth are not fueled adequately. Domestic saving in major household, physical savings has caused a decline in gross domestic savings from 31.08 to to 30.6%yearly. Private investment by private sectors investments remain a primary engine for growth in the long run, public investment especially in railways, will have to play an important role to growth revival suggested by the by Railways Minister Suresh Prabhu .

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