

## Important Vocab For the Editorial

1. **blue-sky** (noun) – imaginative, innovative experimental/original.
2. **posit** (verb) – postulate, put forward, advance/submit.
3. **attribute to** (verb) – ascribe, assign; connect/associate with.
4. **embrace** (noun) – welcome, approval, adoption.
5. **disequilibrium** (noun) – lack of equilibrium, imbalance, instability.
6. **stress** (noun) – emphasis, importance.
7. **draw upon** (phrasal verb) – have recourse to, look to, rely on, make use of.
8. **behavioural economics** (noun) – a branch/method of economic research that adds elements of psychology to traditional models in an attempt to better understand decision-making by investors, consumers and other economic participants.
9. **nudge** (noun) – encouragement, prompt, stimulus.
10. **tax compliance** (noun) – the degree to which a taxpayer complies (or fails to comply) with the tax rules of his or her country, for example by declaring income, filing a return, and paying the tax due in a timely manner.
11. **paradigm** (noun) – model, pattern/example; world view.
12. **sustained** (adjective) – continuous, uninterrupted, constant.
13. **take stock** (phrase) – review, assess, evaluate.
14. **slump** (noun) – slide, decline, plummet/downturn.
15. **bottom out** (verb) – (of a situation) reach the lowest point.
16. **animal spirits** (plural noun) – this is a term that refers to the emotions and instincts that guide the behaviour of investors and consumers in a market economy. It was coined by British economist John Maynard Keynes to explain the persistence of economic fluctuations under capitalism. Keynes argued that investment and consumption are often based on how people feel about the overall economy rather than on unbiased, rational analysis of facts. (Courtesy: The Hindu).
17. **rebound** (verb) – recover, rally, pick up.
18. **shy away from** (phrasal verb) – avoid, recoil, withdraw nervously (due to fear/surprise/pain).
19. **flag** (verb) – indicate, identify, point out.
20. **vulnerability** (noun) – weakness, frailty, susceptibility.
21. **crippling** (adjective) – weakening, impairing, paralyzing.
22. **drought** (noun) – lack/dry spell, lack of rain, shortage of water.
23. **circumspection** (noun) – caution, carefulness/care, wariness.
24. **warrant** (verb) – justify, vindicate, validate.
25. **optimistic** (noun) – positive, confident, hopeful.
26. **fiscal deficit** (noun) – the difference between total expenditure and total income of the government.
27. **apprehension** (noun) – concern, worry, uneasiness.
28. **shortfall** (noun) – defect, blemish, fault/imperfection.
29. **imperative** (noun) – necessary/essential condition, requirement, requisite.
30. **buoyancy** (noun) – vigour/strength, high level of activity, growth.
31. **sanctions** (noun) – action taken, or an order given to force a country to obey international laws by limiting or stopping trade with that country, by not allowing economic aid for that country, etc (Courtesy: VOA Learning English).
32. **prescription** (noun) – (authoritative) recommendation, method, measure.

33. come into one's own (phrase) – become fully effective, become fully recognized.
34. virtuous cycle (noun) – a virtuous cycle in the economy means that higher wages stimulate consumption, leading to higher prices and larger corporate profits. The A virtuous cycle is one where wages drive the cycle rather than external factors or even an increase in money supply due to fiscal mismanagement.
35. policy consistency (noun) – it means compatibility and uniformity of course of actions between the top to the bottom level stakeholders so that it can be correctly and efficiently followed by all of them without creating a conflict.
36. nourish (verb) – nurture, foster, maintain/sustain.

## Blue-sky visions: on Economic Survey 2018-19

### The ambitions of the Economic Survey depend on the implementation of its ideas

The Economic Survey for 2018-19 reflects the views of its principal author, Chief Economic Adviser (CEA) Krishnamurthy Subramanian. And the CEA has made bold to use the new government's first economic assessment-cum-agenda setting exercise to posit a range of ideas that he attributes to "blue sky thinking". From an embrace of a "world that is in constant disequilibrium", and the need therefore to adapt to it, to the stress on drawing upon Richard Thaler's work in the behavioural economics of 'nudge' for addressing issues including gender equality, savings and tax compliance, the survey attempts to reset multiple paradigms. The broad goal is to help drive economic strategy to achieve sustained real GDP growth of 8% so as to enable fulfilment of the government's grand vision of making India a \$5 trillion economy by 2025. For that, the first task is to take stock of the economy's current state. The CEA is cautiously confident that the slump in investment, which he rightly identifies as the key driver of growth, jobs and demand, has bottomed out. Setting the huge electoral mandate for the government as an enabler that would "push the animal spirits of the economy", the survey projects real GDP growth to rebound to 7% in 2019-20. But the CEA doesn't shy away from flagging 'consumption' as being crucial in determining the growth trajectory in the current fiscal year, and in pointing out its vulnerability to the health of the monsoon-dependent rural economy. With rainfall as on July 3 about 28% less than average and large parts of southern and western India in the grip of a crippling drought, clearly the circumspection appears well warranted.

On the fiscal front, the survey is even less optimistic. It lists several challenges to achieving the fiscal deficit target of 3% of GDP by March 2021: the "apprehensions of

slowing of growth” and the implications for revenue collections; the shortfall in GST collections and the imperative that it places on revenue buoyancy this year; the hunt for resources to fund the expanded PM-KISAN scheme, Ayushman Bharat and other government initiatives; and the impact on oil purchase prices due to the U.S. sanctions on import of crude from Iran. It is, however, on the policy prescriptions front that the CEA comes into his own. Central to the recommendations is the focus on triggering a self-sustaining “virtuous cycle” of savings, investment and exports. To achieve which, he suggests, presenting data as a ‘public good’, ensuring policy consistency and reducing the cost of capital. Micro, small and medium enterprises must be nourished, especially firms that are most likely to boost both job creation and productivity, and labour laws made flexible. Ultimately, it is the implementation that may well decide how “blue sky” these ideas are.