

AIR Spotlight - Interview with Chairman of Economic Advisory Council

AIR Spotlight is an insightful program featured daily on the All India Radio Newsonair. In this program, many eminent panellists discuss issues of importance which can be quite helpful in [IAS exam](#) preparation. In this article, an interview with the Chairman of the Prime Minister's Economic Advisory Council is featured.

Participants:

1. Dr. Bibek Debroy, Chairman of PM Economic Advisory Council
2. AIR Correspondent

Context:

This episode features a discussion with Dr. Bibek Debroy on Economic Survey and the Budget 2022-23.

The Vision of Budget 2022-23

As India is celebrating **Azadi ka Amrit Mahotsav** and has entered into **Amrit Kaal**, (25-year-long leadup to India@100), the government aims to attain the vision of:

- Accompanying the macro-economic level growth with a microeconomic level of all-inclusive welfare.
- Promoting digital economy and fintech, technology-enabled development, energy transition, and climate action.
- Relying on a virtuous cycle from private investment with public capital investment helps to crowd in the private investment.

Also read: [Union Budget 2022-23](#)

Simplification of Tax Codes and Tax Rules

- Indirect taxes are under the purview of the [GST Council](#).
- According to the Constitution, the taxation of agricultural income is under the States.
- Substantive reform of direct taxes involves the removal of exemptions. Direct taxes need to be reformed such that they are simplified and have their exemptions removed.
- When the Goods and Service Tax (GST) regime was introduced, the **revenue-neutral rate** was expected to be at **18%**. After five years, the rate is only **11.5%**.
 - The **revenue-neutral rate** is the rate of tax that allows the government to keep earning the same tax revenue, despite a change in the governing tax laws.
- There is a need for reform of taxation, a simplified direct taxes code, removing exemptions and also the goods and services tax.

- It is not only about integrating more products and services under the GST framework. It's also about the GST rate.
- Given that the growth recovery post-pandemic is not so robust, removing the exceptions would increase the effective tax rate on certain segments, hence the budget 2022-23 could not address the simplification of tax codes.

The trend of Digitalization in the Budget 2022-23

- **Connectivity** is considered as the broad vision of the budget.
 - This includes the connectivity of physical and digital ecosystems.
- The Trend of Digitalization has been extended to sectors like agriculture, digital universities, and banking among other sectors.
 - This is expected to continue the virtuous cycle of growth.
- Digital connectivity has brought in gains even to the poorest sections of society.
- The budget has emphasized the use of digital connectivity, as it is a great enabler in ensuring empowerment of citizens, ease of living and ease of doing business.

Problems with reducing Tax Rates

- Giving concessions on the tax rates for one sector would be discretionary and discriminatory on the other sectors, this would disrupt the economy.
- It is known through studies that the multiplier effect of benefits is more when there is an increase in public expenditure than with the reduction in taxation.

PM Gati Shakti National Master Plan

- The finance minister said that the [PM Gati Shakti National Master Plan](#) is a transformative approach for economic growth and sustainable development and is driven by **seven engines** that include,
 - Roads
 - Railways
 - Airports
 - Ports
 - Mass transport
 - Waterways
 - Logistics infrastructure
- These engines are supported by the complementary roles of energy transmission, IT communication, bulk water and sewerage and social infrastructure.
- The approach is powered by clean energy and Sabka Prayas.
- The four focus areas will be:

- Planning
- Financing, including through innovative ways
- Use of technology
- Speedier implementation

Digital Currency

- Cryptocurrencies are financial assets rather than currency.
- The problem of the unregulated nature of [cryptocurrencies](#) is a cause of concern.
- The government has proposed to issue **Digital Rupee**, or **Central Bank Digital Currency** (CBDC), in the fiscal year 2022-23.
- Additionally, the Budget also proposed imposing a tax of 30% on virtual assets, effectively legitimising trading of private cryptocurrencies and non-fungible tokens.
- This is in line with the Centre's plans to have a fiat digital currency while disallowing the use of private virtual coins as legal tender.
- This move is aimed at regulating cryptocurrencies, which is one of the most thriving segments in the current market.

Safety net for vulnerable sections of society

- The budget along with the [economic survey report](#) mentions the importance of welfare measures as a safety net for the poor and marginalized.
- This is primarily in the form of ensuring physical infrastructure, financial inclusion and social infrastructure.
- The Budget also mentions the land records which are fundamentally a state subject.
 - Many problems of the poorest strata of the society are associated with the unsatisfactory state of land records.

Involving States in Developmental Activities

- Rs 1 lakh crores have been announced for FY 2023 for the Gati Shakti Program.
 - The role of states is very important in the implementation of the Gati Shakti Program.
- Rs 10,000 crores in grants given through the states as investment assistance has been increased to Rs 15,000 crores.
- Growth is essentially driven by the states with the likes of Land in state subjects, and Labour in the concurrent list but much of the implementation is done by the states.
- There is a need for strong coordination between the union and the states on the lines of the GST Council.

Capital Investment as a solution for unemployment

- The budget 2022 has given importance to the capital expenditure which is expected to drive the virtuous cycle of the multiplier effect and address the problems of job creation and demand in the economy.
- The problem of job creation has been aggravated by the pandemic along with the problems of the labour market like,
 - Lack of correlation between skills and education,
 - Inefficiency in the functioning of the labour market,
 - The geographical mismatch between demand and supply of labour
 - Problems with the unorganized sector workers.
- With growth, employment generation is bound to happen, which would help address the above-mentioned problems to an extent.

Conclusion

The budget 2022-23 is said to be a great step towards building an open, digital and inclusive India aimed at achieving the 25-year long vision of Amrit Kaal.