



Ministry of Finance

Fiscal activism embraced by advanced economies not relevant for India: Economic Survey 2016-17

India's economic experience underscores fundamental validity of fiscal policy principles in FRBM Act 2003: Economic Survey 2016-17

Posted On: 31 JAN 2017 12:52PM by PIB Delhi

India's economic experience shows that the fiscal activism embraced by advanced economies- giving a greater role to counter-cyclical policies and attaching less weight to curbing debt- is not relevant for India. This observation was made in the Economic Survey 2016-17 presented by the Finance Minister Shri Arun Jaitley in the Parliament today. The Economic Survey has also stated that India's fiscal experience has underscored the fundamental validity of the fiscal policy principles enshrined in the Fiscal Responsibility and Budget Management Act (FRBM) Act 2003.

Since the 2008-09 Global Financial Crisis (GFC), internationally fiscal policy has seen a paradigm shift from the emphasis on debts to deficits, arguing for greater activism in flows (deficits) and minimizing concerns about sustainability of the stocks (debt). But India's experience has reaffirmed the need for rules to contain fiscal deficits, because of the proclivity to spend during booms and undertake stimulus during downturns. India's experience has also highlighted the danger of relying on rapid growth rather than steady and gradual fiscal and primary balance adjustment to do the "heavy lifting" on debt reduction. In, short it has underscored the fundamental validity of the fiscal policy principles set out in the FRBM.

Even as the basic tenets of the FRBM remain valid, the operational framework designed in 2003 will need to be modified for the fiscal policy direction of India of today, and even more importantly the India of tomorrow. This setting out a new vision through an FRBM for the 21st century will be the task of the FRBM Review Committee.

DSM/NT

(Release ID: 1481457) Visitor Counter : 44

