

It's the economy, stupid: How the Modi, Manmohan and Vajpayee years compare on growth front

Updated on: 21 Apr 2024, 11:47 pm

Did India become richer or poorer during the UPA years? And how does the Modi government compare?

At first, it may seem difficult to compare across different eras. For instance, the UPA had to deal with the 2008 financial crisis. But the Modi government had to deal with a once-in-a-century pandemic. Which was the bigger challenge?

There is a simple way to account for this. Just compare the performance of the Indian economy with respect to other countries during the same period.

Let us look at the hard numbers. The IMF classifies nearly 150 countries as "emerging market and developing economies". This is India's peer group. It includes China, all the BRICS countries, most places in South America, Africa, the Middle East and parts of Eastern Europe.

How does India's economic performance compare against its peers? The results are startling.

In 2004, India's per capita GDP was \$635, while these countries had a per capita GDP of \$1790. In other words, India's per capita GDP was about 35 percent of its peer group. But by 2014, this actually fell to 30 percent. This means that those other countries did better than India. During the UPA years, India actually became poorer compared to the rest of the developing world. This should end the idea that the economy did particularly well under the leadership of Dr Manmohan Singh.

How do the Modi years compare? From 30 percent in 2014, India increased this ratio to 37 percent in 2019 and further to 42 percent in 2024. India's per capita GDP now stands at \$2850, compared to \$6770 for its peers. There is still a long way to go. But in the Modi years, India has at least taken a big leap forward. Unlike the years between 2004 and 2014, when India was going backwards.

If this sounds like a harsh assessment of the UPA, it gets even worse.

During the Vajpayee years, between 1998 and 2004, this ratio rose from 30 percent to 35 percent, before falling back to 30 percent at the end of UPA. Again, between 1991 and 1998, the ratio fell slightly from 31 percent to 30 percent. Whenever the Congress was in power, by itself or in the ruling mix, such as from 1991 to 1998, and from 2004 to 2014, India's economy lagged behind its peers. During the Vajpayee years and the Modi years, India moved ahead.

This may seem puzzling to supporters of the UPA. They would point out that the GDP growth rates during the UPA years were higher than during the Modi years. But consider the following example. In the 1983 World Cup finals, India scored 183 runs. In the 2023 World Cup finals, India scored 240 runs. Which was

the better performance? What matters is that India won in 1983, but lost in 2023. The important thing is to stay ahead of the competition.

Why then do we rarely discuss such comparisons? Perhaps because the data is deeply embarrassing for the path India has taken since independence.

In the early 1950s, India's per capita GDP was about 18 percent of that of the world. By 1991, it fell to a mere 6 percent. In other words, India became three times poorer in the four decades of Nehruvian socialism.

Even by 2014, it had recovered only to 14 percent, still well below the 1950s level. As of now, it stands at 21 percent.

When did India's per capita GDP cross that of Pakistan? That was in 2006-07, about sixty years after independence. When did India's per capita GDP finally exceed that of sub-Saharan Africa? That would be 2015. Beyond the myth making, the old establishment must take the blame for this.

In the early 2000s, India found itself on a path of high growth. There was a sense that India's moment had finally arrived. But others were actually doing much better.

In 2004, India's economy was 37 percent the size of the Chinese economy. By 2014, it had shrunk to 19 percent. In relative terms, India's economic size had been cut in half during the UPA years. In 2024, it now stands at 22 percent. That is only slightly better. But at least the gap is no longer increasing.

The same story repeats with the rest of the BRIC countries. Between 2004 and 2014, China increased its GDP by 440 percent, Brazil by 267 percent, Russia by 223 percent, and India by only 182 percent. Same with per capita GDP growth, where India again comes in last among the BRIC. In 2004, India's economy was bigger than Brazil or Russia. By 2014, both countries had crossed India in GDP rankings.

Meanwhile, India remained stuck at almost the same position, rising just 1 place from 12th in 2004 to 11th in 2014.

In its final budget in 2014, the UPA set a target of 2043 for India to become the third largest economy in the world. That is not much of an ambition for a country of 1.4 billion people. Since 2014, India has grown faster than any other major economy, including China. Today India is fifth, and is expected to take the third position by 2029. That is a full 14 years ahead of the target set by the UPA government in 2014. Still a lot for India to do, but one step closer to fulfilling our potential.

(Abhishek Banerjee is an author and columnist. Karuna Gopal is President, Foundation for Futuristic Cities and BJP National In-charge for Women Policies & Research.)

(Views are personal.)