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**TOPIC**

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**Changing the Growth  
Paradigm**

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## CHANGING THE GROWTH PARADIGM

### In Context

- Recently, it is proposed to change the pattern of economic growth in India .

### About Economic growth

- Economic growth refers to an increase in the size of a country's economy over a period of time. The size of an economy is typically measured by the total production of goods and services in the economy, which is called **gross domestic product (GDP)**
  - ◆ GDP is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.
- The term economic growth is defined as the process whereby the country's real national and per capita income increases over a long period of time.

### Current Scenario

- GDP growth has become the dominant measure of the health of all economies.
- The dominant paradigm is, first, increase the size of the pie before its redistribution.
- It has **replaced “socialist” models** which were concerned with conditions at the bottom.
- All Indian governments, since the liberalisation of the economy in 1991, **have focused on GDP.**
- As per the First Advance Estimates of National Income of FY 2023-24, India's Real GDP is projected to grow at 7.3 per cent.
  - ◆ This was stated in the Macro-Economic Framework Statement 2024-25.
- As per the IMF, India is likely to become the **third-largest economy in 2027** in USD at market exchange rate.
  - ◆ It also estimates that India's contribution to global growth **will rise by 200 basis points in 5 years.**

### Challenges and Concerns

- GDP is not a measure of the overall standard of living or well-being of a country.
- It does not capture things that may be deemed important to general well-being.
  - ◆ For example, increased output may come at the **cost of environmental damage or other external costs** such as noise.
  - ◆ Or it might involve the **reduction of leisure time** or the depletion of nonrenewable natural resources.
  - ◆ The **quality of life** may also depend on the **distribution of GDP** among the residents of a country, not just the overall level.
- India is becoming one of the most unequal countries in the world with this flawed model of economic progress.
- They need decent jobs, which the Indian economy has not provided despite impressive growth of GDP.

### Fossil fuels and the modern economy

- Fossil fuels are an integral part of the global economy, with significant economic importance.
- **Fossil fuels(including coal, oil, and natural gas)** in the **modern economy** are used in the production and the distribution of four foundational materials for modern civilization: steel, concrete, plastics, and food.
- Fossil fuels are key to industrialization and rising prosperity, but their impact on health and the climate are concerning .

### Suggestions and Way Forward

- India must address the global climate crisis while growing its own economy to catch-up with developed countries.

- India must find a new paradigm of progress, for itself and for the world, for more **inclusive and environmentally sustainable growth**.
- India's policymakers must free themselves from western-dominated theories of economics.
- Rural Bharat can be a university for the world, producing innovations in institutions and policies for inclusive and sustainable growth.
  - ♦ Systems science reveals that local systems solutions, cooperatively developed by communities in their own villages and towns, are the way to solve global systemic problems of climate change and inequitable economic growth.
- There is a need to focus more on **Economic development** which generally refers to the sustained, concerted endeavor of policymakers and community to promote the standard of living and economic condition in a country.
  - ♦ Economic development refers to the total quality of life of the population.
    - It includes the standard of its education, medical care, the diet, etc.
    - The greater a country's economic development, the better the living standard of people is

### Mains Practice Question

It is argued that Gross Domestic Product (GDP) is not a measure of the overall standard of living or well-being of a country. Comment on this statement.

