Analysis of Fiscal Policy Regime Since 1970s

Aakanksha Kaushik
Assistant Professor, Department of Economics, Maitreyi College, University of Delhi, Delhi, India

Abstract:
Fiscal policy and its macroeconomic linkages have always been an unsettled issue. In this paper, I have tried to address this particular issue. The three major debates over the fiscal policy regime are 'Crowding Out', 'Inflation' and 'Financing of Deficit'; this paper has tried to discuss all of them. The paper has tried to highlight the fallacies in economics being followed by the policy makers in India. The paper clearly spells the desirability of direct taxes over indirect taxes.
Also in this paper, an attempt was made to analyze general trends in fiscal policies in India since 1970s. It is important to analyze the scenario since 1970s because the roots of fiscal crisis in 1990s lie in 1970s only. Rising revenue deficit was one of the causes of fiscal crisis in 1990-91 and post-1990 restrictions were imposed by IMF and fiscal deficits were reduced but on the cost of reduction in social expenditures.
The trend shows that in the period 1970 – 2002, the share of direct taxes to GDP remained stagnant for a very long time. The increase in the tax revenue has been possible because of increase in indirect taxes. In fact when compared internationally, India's Tax-GDP ratio was low by international standards as well. Post 2002, the rise in direct taxes collection can be attributed to increase in profit of the corporate. Next, the paper discusses why there is no clear relationship between lowering tax rate and increasing tax revenue.
In light of all these trends the case for lowering the tax rates does not hold any good. It doesn't make sense that a small section of population is provided relaxation when that revenue can be used to finance the deficits. Lowering tax rate to increase tax compliance is totally incorrect. The reasons of tax evasion are different and are not related to high tax rates. Increasing the share of direct taxes is essential and the best way to finance fiscal deficit. There is a lot of scope for pro-equity reforms in India.

1. Introduction

Fiscal policy instruments together constitute the Fiscal Policy Regime. Fiscal policy and its macroeconomic linkages have always been an unsettled issue. In this paper I have tried to address this particular issue. The three major debates over the fiscal policy regime are 'Crowding Out', 'Inflation' and 'Financing of Deficit'; this paper has tried to discuss all of them. The major debate of crowding out of private investment by public investment has been discussed extensively. The paper has tried to highlight the fallacies in economics being followed by the policy makers in India.

The first section of the paper discusses the theoretical background of fiscal policy and has attempted to talk about some of the aspects of fiscal policy regime like direct-tax policies, indirect tax policies, borrowing policies and Interest Rate policies. In the second section the various trends since 1970s in India have been discussed.

2. Theoretical Background

As mentioned earlier the literature on Fiscal Policy Regime and its impact is diverse and an unsettled issue. Where the ' Treasury view' is an assertion that fiscal policy has no effect on economic activity and employment and on the other there are Keynesian and Post-Keynesian arguments which favor fiscal expansion to increase economic activity and employment. But the overall situation can be understood through Kalecki [1971] national income identity. He showed that post-tax profits may be written as:

(P - Tp) = Budget Deficit + (Export -Import) + Investment + Capitalist Consumption - Workers Savings………………(1)

With causality running from right to left, he showed that the increase in deficit will increase profit surplus and this increase will generate savings to finance the deficit.

The framework of fiscal policy built in Kumar [1988] using the above identity is extremely useful in understanding the various elements as a whole.

$$P_p + I - T_p = (G + I - R + B) + I_p + C_c \quad \text{...(2)}$$

Where,

P_p = Private Profits

I = Interest payments

T_p =   Tax on Private Profits

G   =   Government Expenditure

R   =   Government Revenue; R= Tax Revenue (T) + Non Tax Revenue (NT)

T   = Direct Taxes (DT) +Indirect Taxes (IT)

NT = Public Sector Surplus (Rp) + Net Borrowing (B).

I_p =   Investment by the private sector

C_c =   Capitalist consumption.

(G + I - R + B) may be called the *wider* definition of *budget deficit* including market borrowing and other forms of borrowing.

Thus ceteris paribus, private sector's gross profits rise with any rise in the budget deficit, taxes on profits, capitalists' own consumption and their investment program. With the help of equation (2), we can now analyze the different effects of fiscal policy. Like, changes in direct taxes, both sides of equation gets impacted and in case of inflationary pressure budget deficit can be reduced by increasing direct taxes because they will have no effect on pre-tax profits. But indirect taxes are stagflationary because they not only increase price level (given income) but they also reduce gross profits.

Direct taxes have an additional advantage over deficit financing and borrowing that they do not create liquid assets and it becomes increasingly important if economy is suffering from inflation tendencies. Direct taxes, unlike borrowings have no future obligation and hence are more desirable than borrowings. In further sections we will discuss the trends in direct tax collection and some of the reasons for that trend. But in light of all this, we can understand that how a shift towards direct taxes is indispensable.

It is argued by neo-liberals that excessive monetization is inflationary in nature and borrowing in domestic markets leads to higher interest rates, which chokes off investment. Both the arguments are false in the sense that they do not take into the overall scenario into account. Patnaik [2001] argued that it will be wrong to consider that monetization do not influence interest rates. If the value of the Keynesian multiplier (at unchanged interest rates) is higher than the value of the money multiplier times the income velocity of circulation of money(also at unchanged interest rates), there would be an excess demand for money that would push up the interest rates, even though the fiscal deficit had been entirely monetized (Patnaik, 2001). Again, it is extremely wrong to conclude that fiscal deficit if financed through borrowing will lead to increase in interest rates and will have no impact on inflation. This crowding out effect has been discussed extensively in next section.

2.1. 'Crowding out' Debate

The cliché line of argument to elaborate the transmission mechanism of crowding out is that government deficits cause higher interest rate and this decreases the private investment. But before arguing anything else, there is one point which is important to understand that even in simple IS-LM model full or zero crowding out can occur without any change in interest rates (Spector and Cott, 1988).

Kalecki [1976] showed that just how investments are self-financing, similarly the public investment can be financed through creation of its counterpart savings (Kalecki, 1976). In Kalecki's words;

"There are no financial limits, in the formal sense, to the volume of investment. The real problem is whether this financing does, or does not, create inflationary pressures."

Even in case of full employment or supply constraint; self-financing of deficit happens through inflationary 'forced savings', i e, through a rise in prices relative to money wages. Moreover, assuming that Indian economy can never be demand constrained and is at full employment will be an absurd assumption.

Patnaik [2001] argued that the high interest rates are post- liberalization phenomenon. The rates of returns are higher in third world countries because of the higher risk and uncertainty involved. The argument to reduce fiscal deficits because of high interests' rate is highly objectionable. Increasing development and reducing demand constraints is a better objective to achieve then satisfying the desires of international finance.

There are a lot of empirical researches on crowding out and relationship between interest rates and fiscal deficit. Everyone views are diverse some favor, some are against and some talk about partial crowding out. But in all this it is important to remember that testing the relationship between public and private investment ignoring the interest rate nexus, can be considered as an appropriate empirical procedure.

3. Trends in Fiscal Policies since 1970s

In this section we will analyze general trends in fiscal policies in India since 1970s. It is important to analyze the scenario since 1970s because the roots of fiscal crisis in 1990s lie in 1970s only. The variables such as indirect taxes, borrowings of the public sector, deficit financing, fiscal deficit, subsidies, interest burden on the budget grew faster than the growth in GDP (Kumar, 1999). When we observe the trends in revenue deficit since 1970s, one can easily note that revenue deficit has been constantly rising till the FRBM and fiscal consolidation was adopted by the government in 2003. When the current expenditures are financed through borrowings this sets in the debt trap; wherein higher revenue deficits leads to higher interest payments and this again leads to higher revenue deficit. This trend can be easily observed in figure 1. This was one of the causes of fiscal crisis in 1990-91 and post-1990 restrictions were imposed by IMF and fiscal deficits were reduced but on the cost of reduction in social expenditures. The revenue deficits still remained high in 1990s.

In the period 2003 onwards, India shifted onto the path of fiscal consolidation with the fiscal responsibility and budget management (FRBM) act. The downward trend in all the three deficit indicators, i.e, gross fiscal, gross primary and revenue deficit can be easily

observed from figure 1 and 2. This trend continued till the country was hit by the global financial crisis in 2008. In wake of which, the government had to expand the deficits to combat the recessionary wave.

The question of mobilizing the resources for development in India and other developing countries is always seen as a big challenge. But the fact is that tax revenues of India have always remained lower than warranted and there has not been any improvement in this regard. This can be observed from data domestically and internationally. First when we observe trend in tax revenue to GDP ratio, we can find that the central tax to GDP ratio has hovered around 10 % in most of the years. The trend has been downwards after 1990s and it was only after 2003-04 that surge has been observed which can be better understood when we discuss the trend in direct and indirect   taxes.

Next, to compare Indian with international standard, we can look into the data provided by World Bank on tax revenues (as % of GDP). For the year 2010, when one looks into the data available for 132 countries and rank them in order of tax revenue collected by these countries; we can find that India's Tax-GDP ratio was low by international standards as well. The table can be found in Table- 4 of the paper.

As argued in previous section that direct taxes are more desirable than indirect taxes, let us now look into the trend of the two since 1970s. In the period 1970 – 2002, the share of direct taxes to GDP remained stagnant for a very long time. The increase in the tax revenue has been possible because of increase in indirect taxes. When we observe figure 4, we might find that there is some trend reversal in direct taxes collection and one might argue that share of direct taxes has risen above the share of indirect taxes. But the fact is when one looks into figure 5, it can be easily found that the trend disappears at the combined level (Centre and State). The reason behind this is the rise in sales tax collected by the state government.

The rise in direct taxes collection can be attributed to increase in profit of the corporate. The ratio of profit to net value added has increased from 23% in 1980-81 to as high as 62% in 2007-08, according to ASI data. There has been a rise in managerial salaries and profits and the share of wages to net value added has squeezed. This trend has been relatively recent, occurring from 2003-04 (Figure 6).

In light of all these trends the case for lowering the tax rates does not hold any good. It doesn't make sense that a small section of population is provided relaxation when that revenue can be used to finance the deficits. Lowering tax rate to increase tax compliance is totally incorrect. The reasons of tax evasion are different and are not related to high tax rates. The rise in the tax collection is a characteristic of new economic policies, where the income distribution has become increasingly skewed (Kumar, 1999). Next, the buoyancy with respect to GDP is not a feature of tax compliance. In fact it will be much lower when compared to appropriate tax base, such as, non-agricultural GDP (Kumar, 2011).

Lastly, one can also challenge the 'Laffer Curve' argument. There is no empirical evidence suggesting that the relationship between tax rates and tax collection is single peaked and perfectly symmetrical. Also, even if the laffer curve argument is correct, there is no way by which it can be stated with certainty that there is some optimal tax rate.

4. Conclusion

Kalecki [1971], mentioned that profits are not everything for the capitalists; their class instincts too are important. This notion can be fully visualized in the paper. There is no reason to believe that fiscal deficits are necessarily a bad thing. Pro-active government policy is always seen as a threat even if it is only for demand management (Patnaik, 2011).

Even though direct taxes are more desirable, the trend in Indian economy shows a very dismal scenario in this context. The tax revenue as percentage of GDP is low when compared to International standard. The recent rise can be attributed to increasingly skewed income distribution, in favor of taxpayers. The argument for lowering tax rate to increase the tax compliance is an extremely wrong argument. Increasing the share of direct taxes is essential and the best way to finance fiscal deficit. There is a lot of scope for pro-equity reforms in India.
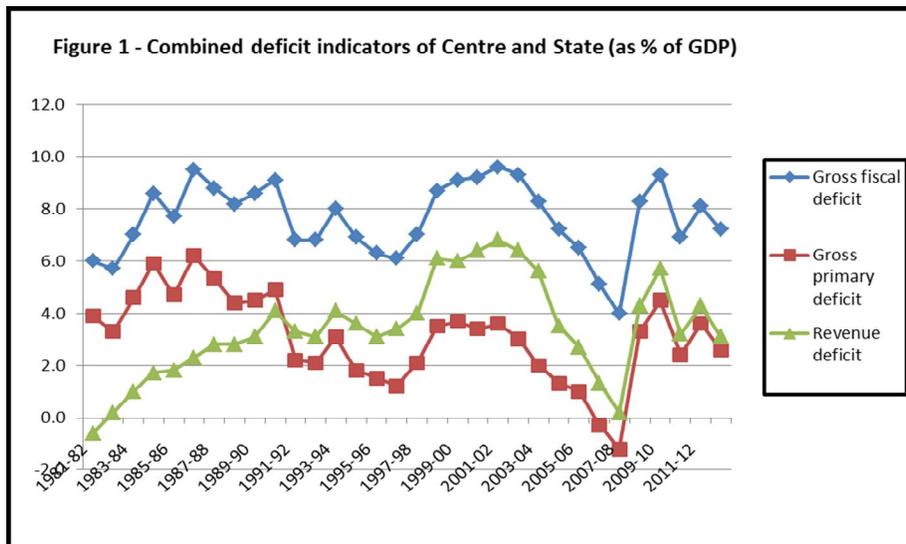
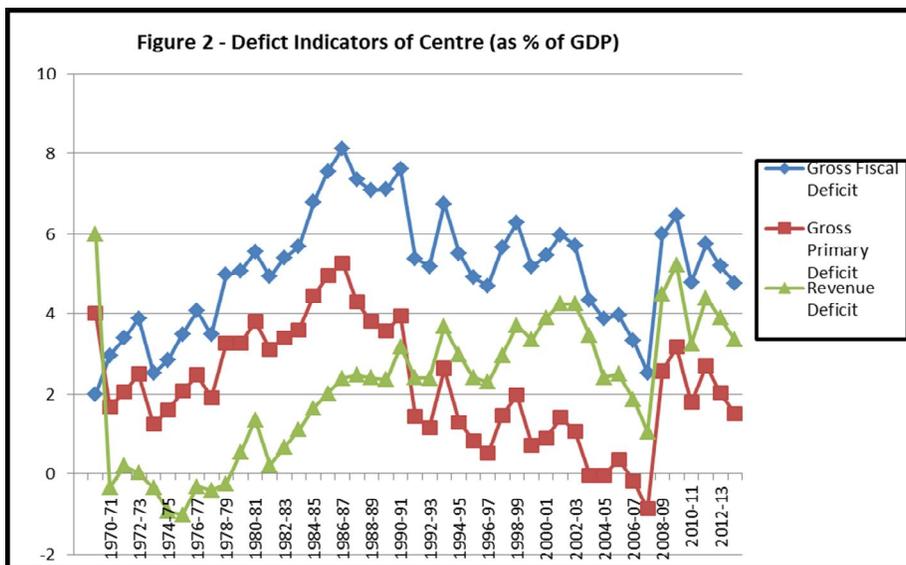*Figure 1: Combined deficit indicators of Centre and State (as % of GDP)*

Figure 2: Defict Indicators of Centre (as % of GDP)
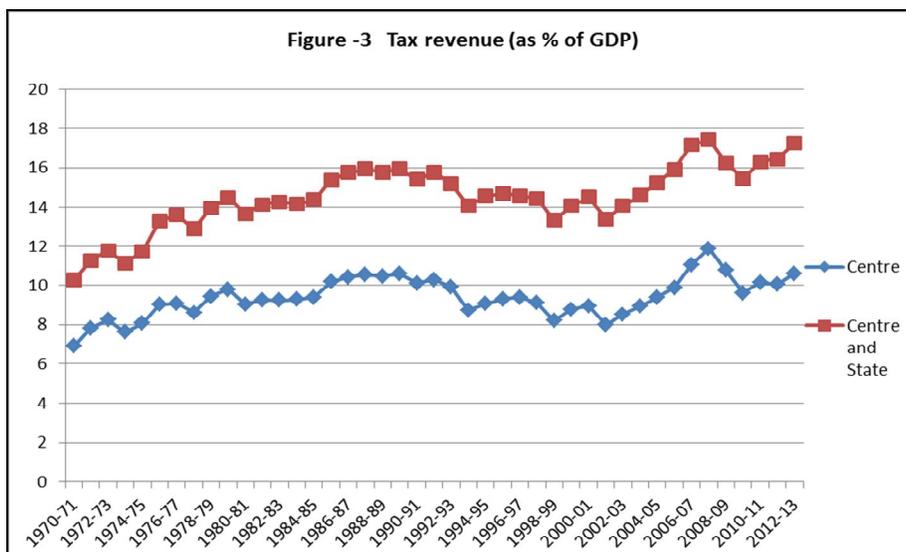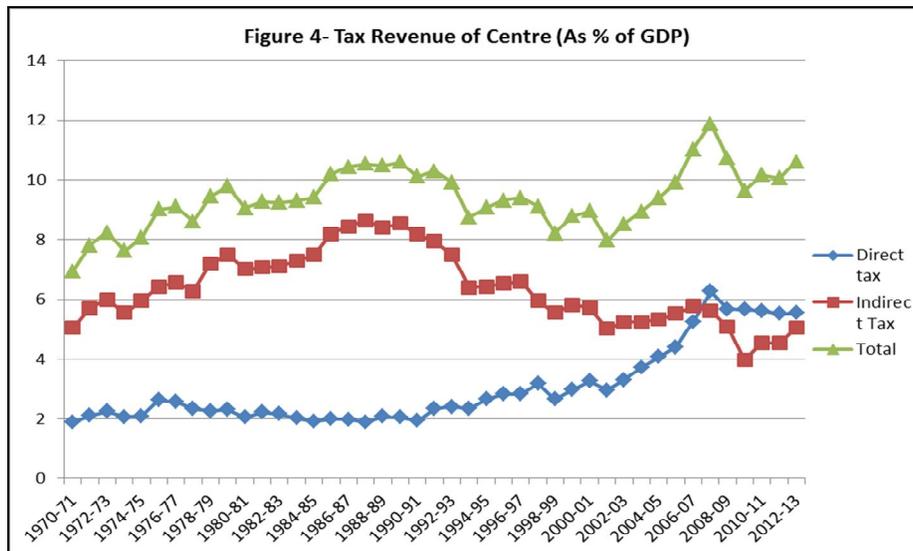

Figure 3: Tax revenue (as % of GDP)

Figure 4: Tax revenue of Centre (as % of GDP)
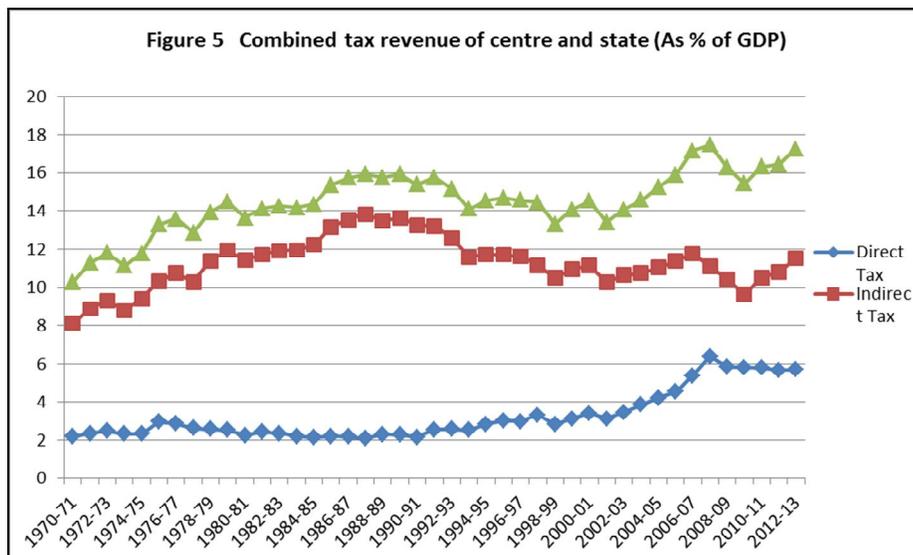
Figure 5: Combained tax revenue of centre and state (as % of GDP)
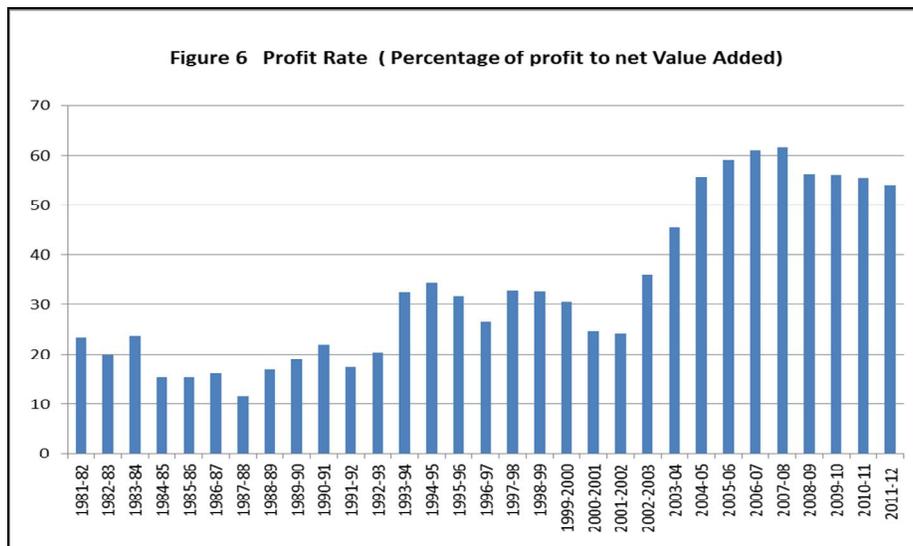
Figure 6: Profit Rate (Percentage of Profit to net Value Added)

Year	Gross fiscal deficit	Gross primary deficit	Revenue deficit
1981-82	6.0	3.9	-0.6
1982-83	5.7	3.3	0.2
1983-84	7.0	4.6	1.0
1984-85	8.6	5.9	1.7
1985-86	7.7	4.7	1.8
1986-87	9.5	6.2	2.3
1987-88	8.8	5.3	2.8
1988-89	8.2	4.4	2.8
1989-90	8.6	4.5	3.1
1990-91	9.1	4.9	4.1
1991-92	6.8	2.2	3.3
1992-93	6.8	2.1	3.1
1993-94	8.0	3.1	4.1
1994-95	6.9	1.8	3.6
1995-96	6.3	1.5	3.1
1996-97	6.1	1.2	3.4
1997-98	7.0	2.1	4.0
1998-99	8.7	3.5	6.1
1999-00	9.1	3.7	6.0
2000-01	9.2	3.4	6.4
2001-02	9.6	3.6	6.8
2002-03	9.3	3.0	6.4
2003-04	8.3	2.0	5.6
2004-05	7.2	1.3	3.5
2005-06	6.5	1.0	2.7
2006-07	5.1	-0.3	1.3
2007-08	4.0	-1.2	0.2
2008-09	8.3	3.3	4.3
2009-10	9.3	4.5	5.7
2010-11	6.9	2.4	3.2
2011-12	8.1	3.6	4.3
2012-13	7.2	2.6	3.1

Table 1: Combined Deficits of the Central and State Governments (As percentage to GDP)
Source: Ministry of Finance

Year	Gross Fiscal Deficit	Gross Primary Deficit	Revenue Deficit
1970-71	2.96	1.69	-0.34
1971-72	3.39	2.07	0.20
1972-73	3.88	2.50	0.03
1973-74	2.53	1.24	-0.35
1974-75	2.85	1.61	-0.95
1975-76	3.49	2.08	-1.02
1976-77	4.07	2.48	-0.32
1977-78	3.48	1.92	-0.41
1978-79	4.98	3.25	-0.25
1979-80	5.08	3.26	0.55
1980-81	5.55	3.81	1.36
1981-82	4.93	3.11	0.22
1982-83	5.40	3.40	0.67
1983-84	5.69	3.60	1.11
1984-85	6.79	4.46	1.65
1985-86	7.55	4.96	2.03
1986-87	8.13	5.28	2.40

1987-88	7.34	4.29	2.48
1988-89	7.08	3.81	2.41
1989-90	7.10	3.56	2.37
1990-91	7.61	3.95	3.17
1991-92	5.39	1.44	2.41
1992-93	5.19	1.17	2.40
1993-94	6.76	2.64	3.67
1994-95	5.52	1.30	2.97
1995-96	4.91	0.83	2.42
1996-97	4.70	0.51	2.30
1997-98	5.66	1.48	2.95
1998-99	6.29	1.97	3.71
1999-00	5.18	0.72	3.34
2000-01	5.46	0.90	3.91
2001-02	5.98	1.42	4.25
2002-03	5.72	1.08	4.25
2003-04	4.34	-0.03	3.46
2004-05	3.88	-0.04	2.42
2005-06	3.96	0.37	2.50
2006-07	3.32	-0.18	1.87
2007-08	2.54	-0.88	1.05
2008-09	5.99	2.57	4.50
2009-10	6.46	3.17	5.23
2010-11	4.79	1.79	3.24
2011-12	5.75	2.71	4.39
2012-13	5.20	2.04	3.90
2013-14	4.77	1.51	3.34

Table 2: Deficit Indicators of Centre (as % of GDP)
Source: Ministry of Finance

Year	Centre	Centre and State
1970-71	6.93	10.27
1971-72	7.82	11.26
1972-73	8.25	11.79
1973-74	7.63	11.12
1974-75	8.06	11.76
1975-76	9.03	13.28
1976-77	9.11	13.59
1977-78	8.62	12.88
1978-79	9.45	13.94
1979-80	9.8	14.48
1980-81	9.07	13.65
1981-82	9.28	14.13
1982-83	9.26	14.26
1983-84	9.31	14.17
1984-85	9.42	14.37
1985-86	10.19	15.38
1986-87	10.43	15.74
1987-88	10.53	15.92
1988-89	10.48	15.76
1989-90	10.59	15.93

1990-91	10.11	15.4
1991-92	10.29	15.76
1992-93	9.92	15.17
1993-94	8.75	14.09
1994-95	9.09	14.56
1995-96	9.33	14.71
1996-97	9.41	14.58
1997-98	9.12	14.45
1998-99	8.21	13.31
1999-2000	8.8	14.07
2000-01	8.97	14.52
2001-02	7.97	13.39
2002-03	8.53	14.08
2003-04	8.96	14.59
2004-05	9.41	15.25
2005-06	9.91	15.91
2006-07	11.03	17.15
2007-08	11.89	17.45
2008-09	10.75	16.26
2009-10	9.64	15.45
2010-11	10.17	16.31
2011-12 (RE)	10.05	16.43
2012-13 (BE)	10.61	17.24

Table 3: Tax revenue (as % of GDP)
Source: Ministry of Finance

Ranking	Country Name	Year 2010
1	Algeria	34.40
2	Macao SAR, China	34.25
3	Denmark	33.61
4	Trinidad and Tobago	28.26
5	New Zealand	28.20
6	Seychelles	27.85
7	Norway	27.23
8	Malta	27.01
9	Jamaica	26.54
10	United Kingdom	26.41
11	South Africa	25.88
12	Cyprus	25.87
13	Dominica	25.74
14	Luxembourg	25.27
15	Barbados	25.25
16	Belgium	24.56
17	St. Lucia	23.78
18	Belize	23.58
19	Morocco	23.43
20	Hungary	23.19
21	St. Vincent and the Grenadines	23.14
22	Netherlands	22.97
23	Serbia	22.82
24	Israel	22.75
25	Mongolia	22.72
26	Italy	22.64
27	Georgia	22.14
28	Namibia	22.14

29	Botswana	21.96
30	Iceland	21.88
31	France	21.34
32	Sweden	21.31
33	Ireland	21.08
34	Australia	20.67
35	Turkey	20.49
36	Bosnia and Herzegovina	20.16
37	Portugal	20.09
38	Greece	20.01
39	Tunisia	19.99
40	Uruguay	19.59
41	Kenya	19.55
42	Angola	19.54
43	Croatia	19.41
44	Finland	19.27
45	Bulgaria	19.15
46	St. Kitts and Nevis	18.80
47	Senegal	18.65
48	Mauritius	18.55
49	Austria	18.50
50	Cabo Verde	18.45
51	Grenada	18.43
52	Antigua and Barbuda	18.38
53	Moldova	18.20
54	Mozambique	17.65
55	Lebanon	17.44
56	Chile	17.43
57	Sao Tome and Principe	17.40
58	Liberia	17.32
59	Slovenia	17.13
60	Armenia	17.07
61	Macedonia, FYR	16.99
62	Belarus	16.92
63	Romania	16.82
64	Poland	16.70
65	Zambia	16.58
66	Benin	16.51
67	Tanzania	16.37
68	Kiribati	16.31
69	Estonia	16.06
70	Thailand	15.97
71	Jordan	15.91
72	Togo	15.70
73	Suriname	15.66
74	Cote d'Ivoire	15.55
75	Ukraine	15.52
76	Vanuatu	15.50
77	Korea, Rep.	15.15
78	Kyrgyz Republic	15.03
79	Qatar	14.65
80	Brazil	14.63
81	Mali	14.61
82	Peru	14.50
83	Honduras	14.43
84	Egypt, Arab Rep.	14.13
85	Nicaragua	13.95

86	Bahamas, The	13.92
87	Malaysia	13.74
88	Congo, Dem. Rep.	13.71
89	El Salvador	13.62
90	Hong Kong SAR, China	13.54
91	Czech Republic	13.47
92	Costa Rica	13.44
93	Nepal	13.40
94	Ghana	13.39
95	Lithuania	13.36
96	Singapore	13.23
97	Russian Federation	13.05
98	Sri Lanka	12.93
99	Lao PDR	12.93
100	Latvia	12.77
101	Dominican Republic	12.73
102	Rwanda	12.59
103	Slovak Republic	12.48
104	Burkina Faso	12.40
105	Azerbaijan	12.16
106	Philippines	12.15
107	Colombia	12.12
108	Canada	12.09
109	Paraguay	12.06
110	Uganda	12.05
111	Spain	11.43
112	Germany	11.42
113	Maldives	10.73
114	China	10.48
115	Guatemala	10.44
116	Switzerland	10.20
117	India	10.19
118	Cambodia	10.00
119	Pakistan	9.98
120	Madagascar	9.64
121	Sierra Leone	9.26
122	Japan	9.14
123	Afghanistan	9.12
124	Central African Republic	9.06
125	Bangladesh	9.00
126	United States	8.82
127	Ethiopia	8.31
128	Nigeria	3.65
129	Oman	2.53
130	Bahrain	1.18
131	Kuwait	0.94
132	Samoa	0.02

Table 4: Tax- GDP Ratios by Country
Source: World Bank

Year	Direct Tax	Indirect Tax
1970-71	2.18	8.09
1971-72	2.36	8.89
1972-73	2.47	9.32
1973-74	2.34	8.79
1974-75	2.34	9.42

1975-76	2.96	10.32
1976-77	2.85	10.74
1977-78	2.61	10.27
1978-79	2.56	11.38
1979-80	2.53	11.94
1980-81	2.25	11.4
1981-82	2.42	11.71
1982-83	2.35	11.91
1983-84	2.21	11.96
1984-85	2.14	12.23
1985-86	2.22	13.16
1986-87	2.19	13.55
1987-88	2.09	13.83
1988-89	2.3	13.47
1989-90	2.29	13.64
1990-91	2.15	13.25
1991-92	2.54	13.22
1992-93	2.58	12.59
1993-94	2.51	11.58
1994-95	2.84	11.71
1995-96	3	11.7
1996-97	2.98	11.61
1997-98	3.31	11.14
1998-99	2.8	10.5
1999-2000	3.12	10.95
2000-01	3.41	11.11
2001-02	3.11	10.28
2002-03	3.45	10.63
2003-04	3.86	10.73
2004-05	4.23	11.02
2005-06	4.54	11.37
2006-07	5.39	11.77
2007-08	6.39	11.06
2008-09	5.83	10.43
2009-10	5.82	9.63
2010-11	5.78	10.53
2011-12	5.66	10.78
2012-13	5.69	11.54

Table 5: Combined tax revenue of centre and state (As % of GDP)
Source: Ministry of Finance

Year	Direct tax	Indirect Tax	Total
1970-71	1.88	5.05	6.93
1971-72	2.11	5.71	7.82
1972-73	2.26	5.99	8.25
1973-74	2.07	5.56	7.63
1974-75	2.1	5.96	8.06
1975-76	2.62	6.42	9.03
1976-77	2.57	6.55	9.11
1977-78	2.34	6.28	8.62
1978-79	2.27	7.18	9.45
1979-80	2.31	7.5	9.8

1980-81	2.06	7	9.07
1981-82	2.22	7.06	9.28
1982-83	2.17	7.1	9.26
1983-84	2.02	7.29	9.31
1984-85	1.92	7.49	9.42
1985-86	2	8.19	10.19
1986-87	1.98	8.45	10.43
1987-88	1.89	8.64	10.53
1988-89	2.08	8.4	10.48
1989-90	2.05	8.54	10.59
1990-91	1.94	8.17	10.11
1991-92	2.34	7.94	10.29
1992-93	2.41	7.51	9.92
1993-94	2.34	6.4	8.75
1994-95	2.66	6.43	9.09
1995-96	2.82	6.52	9.33
1996-97	2.82	6.59	9.41
1997-98	3.16	5.95	9.12
1998-99	2.66	5.55	8.21
1999-2000	2.97	5.83	8.8
2000-01	3.25	5.72	8.97
2001-02	2.95	5.02	7.97
2002-03	3.29	5.24	8.53
2003-04	3.7	5.26	8.96
2004-05	4.08	5.33	9.41
2005-06	4.4	5.52	9.91
2006-07	5.24	5.79	11.03
2007-08	6.26	5.63	11.89
2008-09	5.68	5.07	10.75
2009-10	5.67	3.97	9.64
2010-11	5.63	4.55	10.17
2011-12	5.52	4.53	10.05
2012-13	5.55	5.05	10.61

Table 6: Tax Revenue of Centre (As % of GDP)
Source: Ministry of Finance

Year	Profit	Net Value Added	Profit Rate
1981-82	339576	1451257	23.40
1982-83	331897	1667368	19.91
1983-84	477971	2013718	23.74
1984-85	322345	2088716	15.43
1985-86	348205	2256813	15.43
1986-87	411789	2555224	16.12
1987-88	328741	2833360	11.60
1988-89	590512	3463480	17.05
1989-90	813552	4266281	19.07
1990-91	1138947	5151459	22.11
1991-92	963507	5482702	17.57
1992-93	1453708	7124819	20.40
1993-94	2859858	8843399	32.34
1994-95	3720750	10851699	34.29
1995-96	4404706	13939719	31.60
1996-97	4197844	15735887	26.68
1997-98	5445612	16644124	32.72

1998-99	4730623	14546105	32.52
1999-2000	4733475	15497442	30.54
2000-2001	3569880	14362141	24.86
2001-2002	3488385	14430212	24.17
2002-2003	6185254	17234004	35.89
2003-04	9236632	20295377	45.51
2004-05	14460199	25990686	55.64
2005-06	18446298	31186419	59.15
2006-07	24142496	39572526	61.01
2007-08	29757600	48159268	61.79
2008-09	29699112	52776558	56.27
2009-10	33293065	59211387	56.23
2010-11	39016161	70457581	55.38
2011-12	45162950	83670291	53.98

Table 7: Profit Rate (Percentage of profit to net Value Added)
Source: Annual Survey of Industries

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