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EDITORIAL ANALYSIS

Speed Up Economic Reform — But Pessimism Doesn't Help

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Speed Up Economic Reform — But Pessimism Doesn't Help

 The Indian Express 23 May 2026 **GS3**

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INTERVIEW ANGLE

"Which second-generation reforms remain the most politically difficult, and how do you balance candid critique of slow progress with the need to sustain investor confidence?"

EDITORIAL SUMMARY:

Indian Express argues that India needs to accelerate second-generation reforms — land, labour, factor markets, judicial efficiency, discom finance and direct tax simplification — but that declinist narratives of middle-income trap, K-shaped recovery and jobless growth are themselves becoming an obstacle to investment and policy momentum. The macro position remains strong (FY25 real GDP growth of 6.5% on NSO provisional estimates, FY26 projection around 6.5-6.9%, inflation within the $4 \pm 2\%$ band, forex reserves around \$700 billion) and recent reforms have been substantial; sober realism that recognises both gains and gaps is more constructive than doomscrolling.

THE MACRO PICTURE

The macro position in May 2026 is consistent with sustained, broad-based growth.

INDICATOR	VALUE
Real GDP growth FY25	6.5% (NSO provisional estimates)
Real GDP growth FY26 (RBI projection)	~6.9%
CPI inflation (May 2026)	~4.6%
RBI inflation target	4% ± 2%
Forex reserves	~\$700 billion
Fiscal deficit target FY27	4.4% of GDP
Current Account Deficit	~0.7% of GDP

None of this is the macro signature of a stagnating economy. By cross-country comparison — particularly with peer emerging economies and with the developed world — India is among the fastest-growing major economies with one of the most stable macroeconomic frameworks.

THE 1991 INHERITANCE

The first-generation reforms of 1991 under PM Narasimha Rao and FM Manmohan Singh remain the structural foundation. The dismantling of industrial licensing, the abolition of MRTP-era controls, trade and FDI liberalisation, the early steps on privatisation and the banking sector reforms through the Narasimham Committee reports (1991 and 1998) opened up an economy that had been controlled and inward-looking for four decades.

Thirty-five years later, the gains from 1991 are still being harvested. The opportunity is to extend the same logic — clarity, competition, market discipline — to the factor markets that 1991 did not fully reach.

SECOND-GENERATION REFORMS: WHAT HAS BEEN DONE

The narrative that India has not reformed is empirically wrong. Major second-generation reforms of the past decade include:

- **GST (July 1, 2017):** One Nation One Tax; the most significant fiscal federalism reform since Independence.
- **IBC (May 28, 2016):** A modern bankruptcy code; structural change in the credit-creditor balance.
- **Digital Public Infrastructure:** Aadhaar, UPI, ONDC, Account Aggregator, DigiLocker — global benchmarks now studied and replicated.

- **PLI schemes:** Around ₹1.97 lakh crore committed across 14 sectors; mobile manufacturing, semiconductors, electronics, pharma, drones, white goods.
- **National Infrastructure Pipeline:** ₹111 lakh crore (2020-2025); now extended through the National Monetisation Pipeline.
- **PM Gati Shakti National Master Plan (October 13, 2021):** Integrated logistics and infrastructure planning.

These are not marginal accomplishments. They are first-order structural changes that the declinist narrative tends to discount or dismiss.

THE UNFINISHED AGENDA

Acknowledging achievement does not mean denying gaps. The reform agenda that remains is concentrated in the factor markets and in the second-order institutions that determine productivity.

Land

The Land Acquisition Act of 2013 remains the principal bottleneck for industrial corridors, expressway alignment, defence land and urban expansion. Compensation, consent and social-impact-assessment requirements are designed for protection but, in practice, slow large-project execution and raise effective costs.

Labour

The four Labour Codes — Code on Wages 2019, Industrial Relations Code 2020, Code on Social Security 2020, and Occupational Safety, Health and Working Conditions Code 2020 — consolidated 29 central labour laws. But the Codes await full state-rule notification in many states. Without the state-level rules, the Codes are not operational on the ground.

Capital and Shadow Banking

The 2018 IL&FS crisis and subsequent NBFC stress events exposed the regulatory gap between banks and non-bank lenders. Section 45-I of the RBI Act and the Scale-Based Regulation framework have tightened oversight, but the structural treatment of shadow banking, securitisation and short-term wholesale funding remains an unfinished agenda.

Judicial Efficiency

Over 5 crore cases are pending across Indian courts. Commercial dispute resolution is slow; contract enforcement consistently lags Indian peers in [Ease of Doing Business](#) assessments. The e-Courts Mission Mode Phase III, with an outlay of ₹7,210 crore approved in September 2023, is the institutional response.

Power Sector

Discoms remain the weakest link in the power-sector chain. Aggregate Technical & Commercial (AT&C) losses are around 15%, well above the 10% target. The UDAY scheme (2015) made structural progress but did not solve the underlying tariff-cost gap and political-economy constraints.

Agriculture

APMC reform, FPO scaling and the long-running tension between price-support and income-support models are unresolved. The PM-AASHA architecture (2018) operates but procurement remains cereal-heavy. The MSP regime covers 23 crops but procurement effectiveness varies widely by crop.

Direct Taxation

The Direct Tax Code draft has been pending since 2010. The Income Tax Bill 2025 represents the institutional revival of direct-tax simplification.

REFORM AREA	STATUS	INDICATIVE ACTION
Land	2013 Act intact	State-level acquisition simplification
Labour	4 Codes (2019-2020)	State-rule notification
NBFC / shadow banking	Section 45-I, SBR	Continued tightening
Judicial	5+ crore pending	e-Courts Phase III ₹7,210 crore (September 2023)
Power	AT&C ~15%	Standardised tariffs, discom restructuring
Agriculture	APMC, MSP regime	FPO scaling, agri-marketing reform
Direct Tax	Income Tax Bill 2025	Simplification, code consolidation

THE STRUCTURAL GAPS

Three structural gaps persist and frame the reform debate.

Manufacturing share of GDP is stuck at around 17-18% — below the 25% target of the Make in India programme. PLI is shifting this at the margin in mobile, electronics and pharma, but the broader transition has not occurred.

Female labour force participation is 41.7% (PLFS 2023-24) against male LFPR of 78.1%. This is the single largest reservoir of underutilised growth potential.

Income concentration remains high — the top 10% holds around 57% of national income according to the World Inequality Database. Growth that does not narrow this concentration generates the K-shaped recovery framing that, while contested, is grounded in measurable inequality.

Youth unemployment is around 10-12%, with high education-unemployment correlation — a structural mismatch between graduates and available employment.

THE CASE AGAINST PESSIMISM

The editorial's central contention is not that the structural gaps do not exist — they clearly do. It is that the dominant analytical mood has shifted from constructive critique to a doomscrolling register: middle-income trap framing, K-shaped recovery as fixed reality, jobless growth as immutable feature.

These narratives contain truths. But they also become self-fulfilling. Investors who believe stagnation is inevitable invest less. Skilled workers who believe opportunity is shrinking emigrate more. Policymakers who feel structurally disqualified hesitate on hard reforms. The narrative becomes the constraint.

Realism — which acknowledges 6.5% FY25 growth alongside 41.7% female LFPR, which celebrates IBC alongside criticising land-acquisition delays, which credits UPI alongside flagging discom losses — is the analytical mood that serves both honesty and momentum.

THE WAY FORWARD

The reform menu is well-known and largely consensus-supported.

- ❶ **Operationalise the four Labour Codes** through state-rule notification.
- ❷ **Simplify direct taxation** through the Income Tax Bill 2025.
- ❸ **Monetise public land assets** through structured PPP frameworks.
- ❹ **Accelerate judicial reform** through e-Courts Phase III (₹7,210 crore, September 2023) and commercial court expansion.
- ❺ **Scale Skill India 2.0** with employer-anchored vocational training.
- ❻ **Expand PLI** to additional sectors with sunset clauses to avoid permanent subsidisation.
- ❼ **Transition discoms** through standardised tariff structures and privatisation pilots.
- ❽ **Deepen factor-market mobility** through urbanisation policy and inter-state worker portability.
- ❾ **Communicate reform progress** in evidence-based, not triumphalist, terms — and address shortfalls without declinist framing.

UPSC MAINS ANALYSIS

GS Paper 3 – Indian Economy, Reforms, Fiscal Policy

- **1991 first-generation reforms:** Narasimha Rao-Manmohan Singh; industrial delicensing, MRTP abolition, trade and FDI liberalisation, Narasimham Committees (1991, 1998).
- **GST, July 1, 2017:** One Nation One Tax; fiscal federalism milestone.
- **IBC, May 28, 2016:** Bankruptcy code; credit-creditor balance reset.
- **Four Labour Codes:** Code on Wages 2019, Industrial Relations Code 2020, Code on Social Security 2020, OSH Code 2020 — state-rule notification pending in many states.
- **PLI schemes:** ₹1.97 lakh crore across 14 sectors.
- **National Infrastructure Pipeline:** ₹111 lakh crore (2020-2025) and National Monetisation Pipeline.
- **PM Gati Shakti National Master Plan, October 13, 2021:** Integrated logistics planning.
- **Digital Public Infrastructure:** Aadhaar, UPI, ONDC, Account Aggregator, DigiLocker.
- **e-Courts Mission Mode Phase III:** ₹7,210 crore approved September 2023.
- **Macro snapshot:** FY25 real GDP growth 6.5% (NSO provisional); FY26 RBI projection around 6.5-6.9%; CPI inflation around 4.6% (May 2026) within $4 \pm 2\%$ band; forex reserves around \$700 billion; fiscal deficit target 4.4% of GDP (FY27); CAD around 0.7% of GDP.
- **Structural gaps:** Manufacturing share around 17-18% (Make in India target 25%); female LFPR 41.7% (PLFS 2023-24); top 10% holds around 57% (World Inequality Database); youth unemployment around 10-12%.
- **Income Tax Bill 2025:** Direct tax simplification.
- **Discom AT&C losses around 15%:** UDAY scheme limits.
- **Judicial pendency 5+ crore cases:** Commercial dispute resolution lag.

Mains Questions:

- ❶ “India needs to accelerate second-generation reforms, but declinist narratives are themselves becoming an obstacle to investment.” Critically examine.
- ❷ Compare the agenda and political economy of the 1991 first-generation reforms with the current second-generation reform agenda.
- ❸ Examine the role of the four Labour Codes and their pending state-rule notification in India’s factor-market reform agenda.
- ❹ Discuss the relationship between narrative discipline and policy momentum in the context of India’s reform debate.

Keywords: 1991 reforms, Narasimha Rao, Manmohan Singh, Narasimham Committee, GST, IBC, Aadhaar, UPI, ONDC, Account Aggregator, DigiLocker, PLI, National Infrastructure Pipeline, PM Gati Shakti, e-Courts Phase III, Income Tax Bill 2025, Code on Wages 2019, Industrial Relations Code 2020, Code on Social Security 2020, OSH Code 2020, Land Acquisition Act 2013, Section 45-I RBI Act, UDAY, PM-AASHA, manufacturing share, female LFPR, PLFS 2023-24, K-shaped recovery, middle-income trap, jobless growth, declinism, sober realism

The deeper claim of this Indian Express editorial is that economic narrative is not separable from economic outcome. A country that talks itself into stagnation invests less and innovates less; a country that talks itself into triumphalism reforms less and listens less. The discipline that India needs in 2026 is neither — it is the careful, evidence-anchored realism that celebrates 6.5% FY25 growth without ignoring 41.7% female LFPR, that credits IBC without dismissing land-acquisition delays, that names structural gaps without collapsing into declinism. Reform momentum and narrative discipline are, in the end, two sides of the same coin.

Sources: [Indian Express](#), [PIB](#)

● KEY ARGUMENTS AT A GLANCE

Indian Express argues that India needs to accelerate second-generation reforms — land, labour, factor markets, judicial efficiency, discom finance and direct tax simplification — but that doomscrolling narratives of middle-income trap, K-shaped recovery and jobless growth are themselves becoming an obstacle to investment and policy momentum; sober realism that recognises both gains (FY25 real GDP growth of 6.5%, FY26 projection around 6.5-6.9%) and remaining structural gaps is more constructive than declinism.

✓ SUPPORTING

- India's growth and macro position remains strong by any cross-country comparison — FY25 real GDP growth of 6.5% on NSO provisional estimates, FY26 RBI projection of around 6.9%, CPI inflation around 4.6% (May 2026) within the $4 \pm 2\%$ band, forex reserves at around \$700 billion, fiscal deficit target of 4.4% of GDP in FY27, and a Current Account Deficit of around 0.7% of GDP — none of which is consistent with a stagnation narrative.

- The first-generation reforms of 1991 under PM Narasimha Rao and FM Manmohan Singh dismantled industrial licensing, abolished MRTP-era controls, liberalised trade and FDI, initiated privatisation and reformed banking through the Narasimham Committees (1991, 1998); thirty-five years later the unfinished agenda is concentrated in factor markets — land (Land Acquisition Act 2013), labour (the four Codes of 2019-2020 awaiting full state-rule notification), capital (NBFC and shadow-banking regulation under Section 45-I of the RBI Act), the judicial system (over 5 crore pending cases), the power sector (discom AT&C losses around 15%) and agriculture (APMC reform, FPO scaling).
- Recent reforms have been substantial — GST (July 1, 2017), IBC (May 28, 2016), the Digital Public Infrastructure stack (Aadhaar, UPI, ONDC, Account Aggregator, DigiLocker), 14-sector PLI schemes worth ₹1.97 lakh crore, the National Infrastructure Pipeline of ₹111 lakh crore (2020-2025) and PM Gati Shakti National Master Plan (October 13, 2021); these are first-order achievements that the declinist narrative discounts.
- The structural gaps remain — manufacturing share of GDP stuck at around 17-18% against the Make in India target of 25%, female labour force participation rate at 41.7% (PLFS 2023-24) versus male 78.1%, income concentration (top 10% holds around 57% of national income per the World Inequality Database) and youth unemployment around 10-12% — acknowledging these is realism; treating them as evidence of irreversible decline is the declinism that the editorial criticises.

COUNTER

Some critics will argue that the editorial understates the depth of the structural problems — that GDP aggregates conceal a K-shaped recovery in which the bottom half has stagnated, that manufacturing's stuck share reflects deep-seated infrastructure and skill gaps that cannot be wished away, and that calling out "pessimism" risks insulating policymakers from legitimate criticism; the balance is to acknowledge both achievement and gap without collapsing into either triumphalism or doomscroll.

WAY FORWARD

Operationalise the four Labour Codes through state-rule notification; simplify direct taxation through the Income Tax Bill 2025; monetise public land assets through structured PPP frameworks; accelerate judicial reform through e-Courts Phase III (₹7,210 crore, September 2023) and commercial court expansion; scale the Skill India 2.0 mission; expand PLI to additional sectors with sunset clauses; transition discoms through standardised tariff structures and privatisation pilots; deepen factor-market mobility through urbanisation policy; and communicate reform progress in evidence-based, not triumphalist, terms.

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MAINS ANSWER FRAMEWORK
QUESTION

"India needs to accelerate second-generation reforms, but declinist narratives are themselves becoming an obstacle to investment and policy momentum." Critically examine, identifying the unfinished reform agenda and the case for sober realism. (250 words)

INTRODUCTION

Indian Express argues that India needs to accelerate second-generation reforms but that declinist narratives are themselves becoming an obstacle to investment and policy momentum; sober realism that recognises both gains and gaps is more constructive than doomscrolling.

BODY

India's growth and macro position are strong by cross-country comparison — FY25 real GDP growth of 6.5% on NSO provisional estimates, FY26 RBI projection of around 6.9%, CPI inflation around 4.6% (May 2026) within the $4 \pm 2\%$ band, forex reserves at around \$700 billion, a fiscal deficit target of 4.4% of GDP for FY27 and a CAD of around 0.7% of GDP. The 1991 first-generation reforms under PM Narasimha Rao and FM Manmohan Singh dismantled industrial licensing, abolished MRTP-era controls, liberalised trade and FDI, initiated privatisation and reformed banking through the Narasimham Committees of 1991 and 1998. Recent second-generation gains include GST (July 1, 2017), IBC (May 28, 2016), the Digital Public Infrastructure stack of Aadhaar, UPI, ONDC, Account Aggregator and DigiLocker, 14-sector PLI schemes worth ₹1.97 lakh crore, the National Infrastructure Pipeline of ₹111 lakh crore (2020-2025) and PM Gati Shakti (October 13, 2021).

The unfinished agenda is concentrated in factor markets — land under the 2013 Act, labour through the four Codes (Code on Wages 2019, Industrial Relations Code 2020, Code on Social Security 2020, OSH Code 2020) which await state-rule notification in many states, capital markets and NBFCs under Section 45-I of the RBI Act, judicial efficiency with over 5 crore pending cases, the power sector with discom AT&C losses around 15%, and agriculture with APMC reform and FPO scaling. Structural gaps remain — manufacturing share of GDP at around 17-18% against the Make in India target of 25%, female LFPR at 41.7% (PLFS 2023-24) against male 78.1%, income concentration (top 10% holding around 57% per the World Inequality Database) and youth unemployment around 10-12%.

CONCLUSION

The way forward is acceleration without declinism — operationalise the four Labour Codes through state-rule notification; simplify direct taxation through the Income Tax Bill 2025; monetise public land assets; accelerate judicial reform through e-Courts Phase III (₹7,210 crore, September 2023); scale Skill India 2.0; expand PLI with sunset clauses; transition discoms through standardised tariffs; deepen factor-market mobility through urbanisation policy; and communicate progress in evidence-based terms. The narrative discipline matters as much as the reform itself.

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