

7. Entrepreneurial State- Economy

Entrepreneurial policy making under uncertainty

The Economic Survey 2025-26 introduces a pioneering vision for Indian governance, advocating for the transition into an "Entrepreneurial State." Borrowing from economist Mariana Mazzucato, the Survey argues that in an era of global "polycrisis" and extreme uncertainty, the state must move beyond being a mere regulator to becoming an active risk-taker and innovator.

What is an "Entrepreneurial State"?

The Entrepreneurial State is defined not by its size, but by its agency and agility. It is a government that actively shapes and creates markets rather than just fixing "market failures."

Policy-making Under Uncertainty- A shift toward acting before absolute certainty emerges. It involves managing risks proactively rather than avoiding them to the point of paralysis.

Systematic Experimentation- Governance that treats policies as experiments—learning from failures, scaling successes, and correcting courses without the fear of administrative deadlock.

What it is NOT- It does not imply State Capitalism (government-owned monopolies), the commercialization of essential services, or favouring specific private interests.

Key Elements of the Entrepreneurial State

To build this capacity, the Survey outlines four specific institutional pillars-

Element	Description	Implementation Goal
Bounded Experimentation	Creating "safe spaces" or pilot zones for policy innovation.	Allows for trial and error with clear, accountable review mechanisms.
Regulatory Sandboxes	Expanding the "sandbox" concept from Fintech to sectors like Labour and Environment.	Testing new regulations in a controlled environment before national rollout.
Legal Protection	Providing a "safe harbour" for officials making good-faith decisions.	Reducing the "fear of the 3 Cs" (CBI, CVC, CAG) that leads to bureaucratic delay.
Ex-post Review	Independent audits based on information available <i>at the time of</i> the decision.	Judging decisions by the quality of the process, not just the final outcome.

Early Signals in Practice

India has already started implementing "Mission-Mode" platforms that reflect this entrepreneurial spirit-

Semiconductors & Green Hydrogen- Government-led platforms that mobilize resources and set strategic directions before a mature private market exists.

Public Procurement- Restructuring rules to allow the state to be the "first buyer" for innovative domestic technologies, absorbing early-stage risks.

NUDGE Framework- Moving from coercive tax enforcement to data-driven behavioural interventions (e.g., the Foreign Asset Campaign where 61% responded to gentle prompts).

Internal Challenges- Structural & Behavioural

The Survey identifies "institutional friction" that currently hampers state performance-

Risk Aversion- A deep-seated bureaucratic culture that prioritizes procedural compliance (following the rules) over actual outcomes or judgment.

Hysteresis (Policy Permanence)- The tendency for "temporary" or "emergency" policies to become permanent, making the state afraid to experiment because they can't easily undo a decision.

Retrospective Scrutiny- Accountability systems (audits and judicial reviews) that often look at decisions with 20/20 hindsight, punishing officials for outcomes they couldn't have predicted.

The External "Why"- Global Risks to India

The need for an Entrepreneurial State is driven by a deteriorating global landscape characterized by three potential scenarios-

Strategic Rivalry & Trade Wars- Global trade is becoming "coercive." Supply chains are being weaponized or realigned based on political pressure, forcing India to choose between growth and autonomy.

Global Financial Shock Cascade- A 10%-20% probability of a crisis worse than the 2008 Financial Crisis, driven by a perfect storm of high debt, geopolitical stress, and a potential AI-technology bubble.

Currency Vulnerability- All global scenarios share a common risk for India—the disruption of capital flows and pressure on the Rupee.

The Marathon and Sprint Strategy

The Survey concludes with a metaphor- India must run a "Marathon as if it were a Sprint."

Strategic Sobriety- Moving away from "defensive pessimism" toward a stance of building high buffers, redundancy, and liquidity.

Institutional Innovation- State capacity is not just about "more staff" but about better incentive structures that reward agility and strategic thinking.

Strategic Indispensability- The ultimate goal is to make India so vital to the global supply chain (like in vaccines or digital public infrastructure) that the world cannot afford to harm its interests.

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