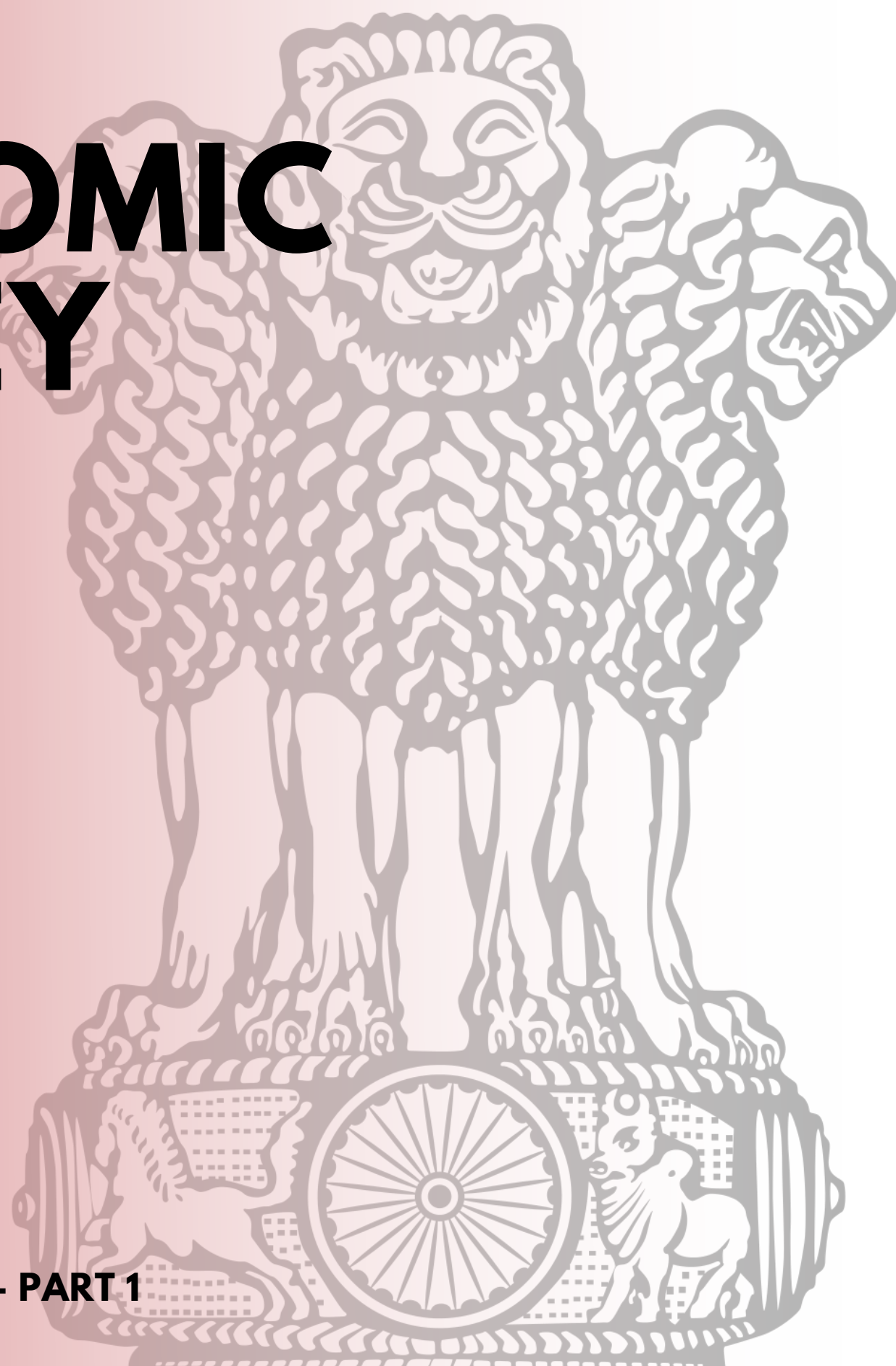


AN ABSTRACT

# ECONOMIC SURVEY 2020

**BRIEF SUMMARY: CHAPTER 1- PART 1**



# WEALTH CREATION: THE INVISIBLE HAND SUPPORTED BY THE HAND OF TRUST

- This is an abridged version of the Economic Survey. We have picked out the most important trends and other information keeping in mind the UPSC Prelims and Mains Examinations.

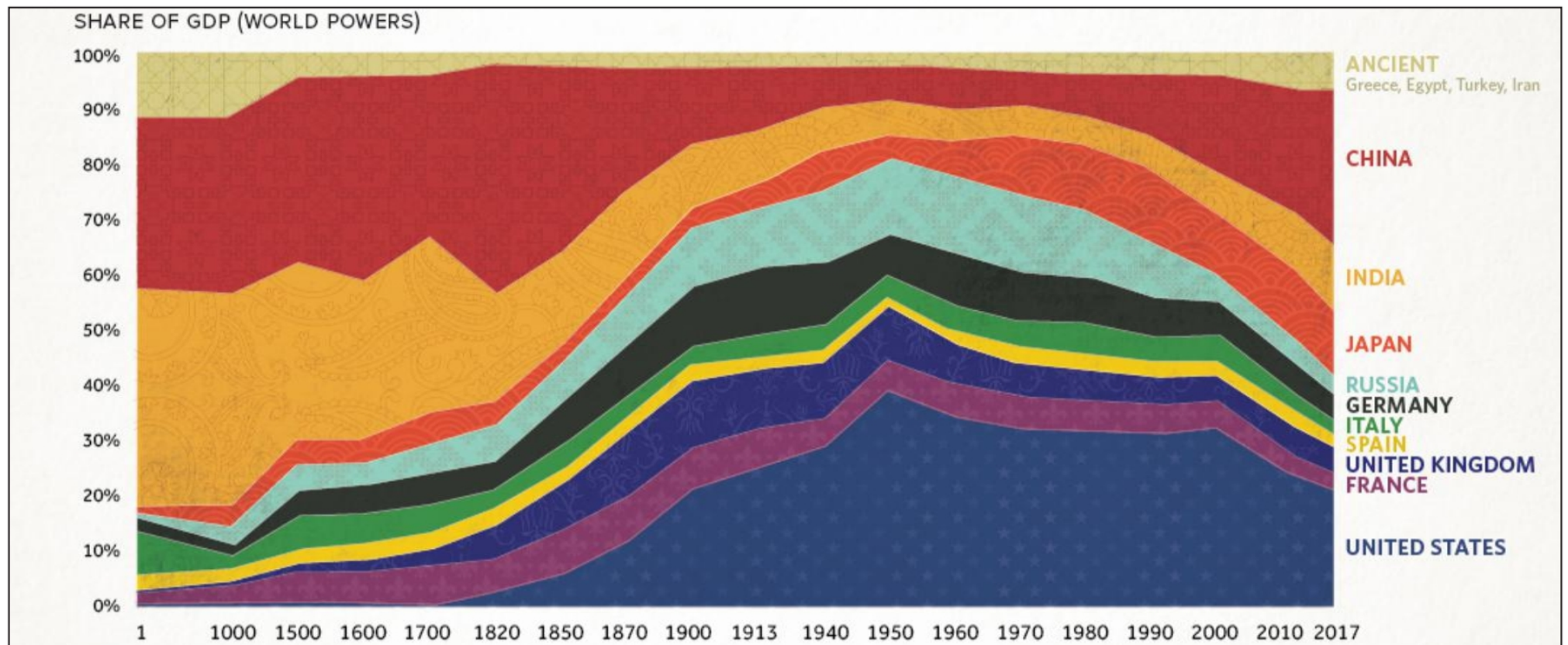
## Introduction:

- The Economic Survey 2019-20 makes a humble attempt to craft a framework of policies that can foster wealth creation in India. This inquiry is particularly critical at this stage as India aspires to become a \$5 trillion economy by 2025.
- Hon'ble Prime Minister highlighted in India's 73rd Independence Day Speech on 15th August 2019 that **only when wealth is created will wealth be distributed**. Therefore, a feeling of suspicion and disrespect towards India's wealth creators is ill advised.
- Given **India's "tryst" with Socialism**, skepticism about the benefits of wealth creation is not an accident. In this context, Team@EcoSurvey 2019-20 attempts to put to rest any skepticism about the benefits accruing from a market economy, both in economic thinking and policy-making.
- The Survey documents that **ideas of wealth creation are rooted in India's old and rich tradition ranging from Kautilya's Arthashastra to Thiruvalluvar's Thirukural, which emphasizes ethical wealth creation as a noble human pursuit.**

# WEALTH CREATION: THE INVISIBLE HAND SUPPORTED BY THE HAND OF TRUST

- The Survey uses the ancient literature and contemporary evidence and to show that India's dalliance with Socialism – a few decades is after all ephemeral in a history of millennia – is an exception with belief in the invisible hand of markets being the norm.

Figure 1: Global contribution to world's GDP by major economies from 1 AD to 2003 AD



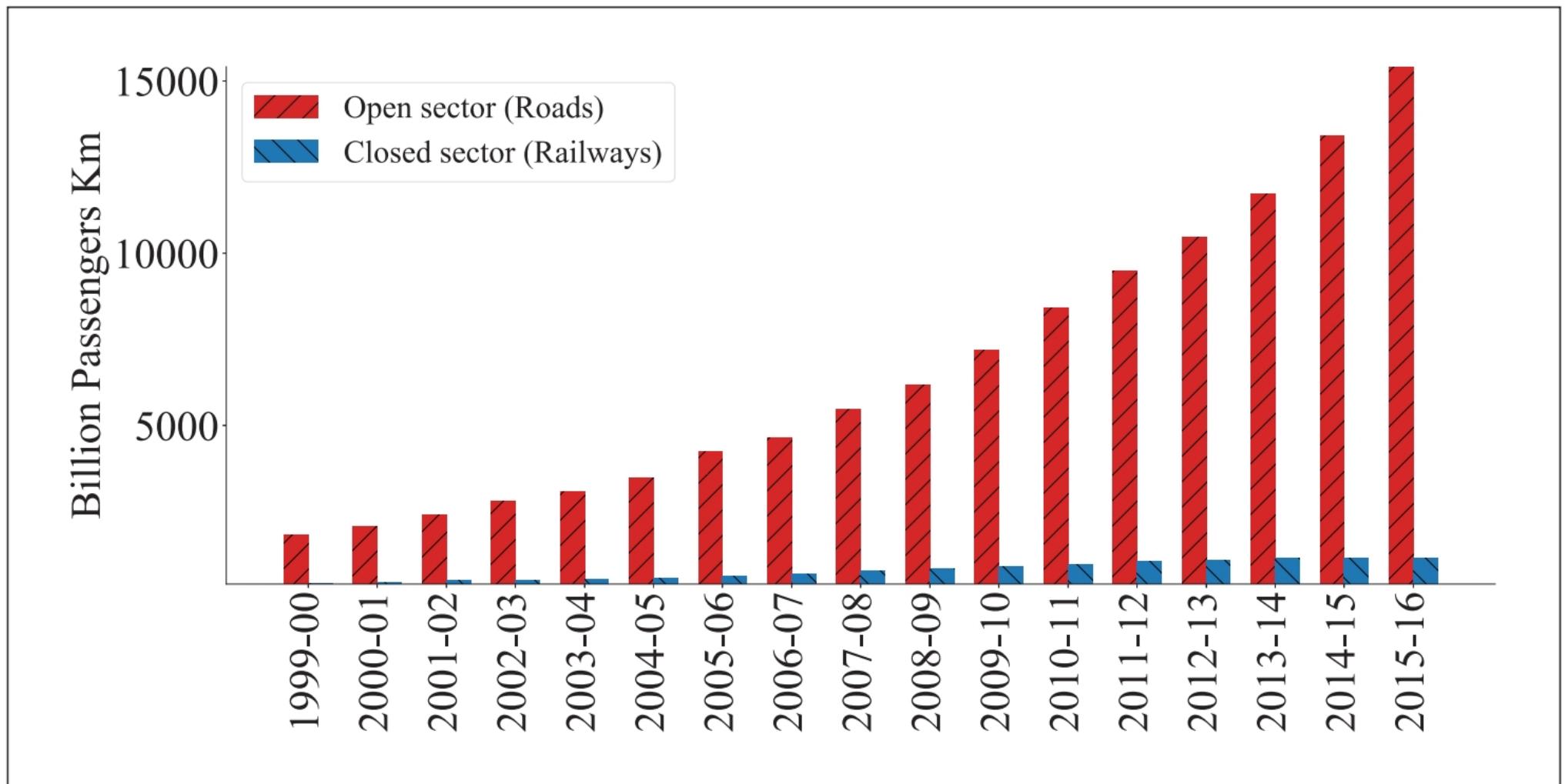
- Maddison (2007) provides the historical evidence that **India has been the dominant economic power globally for more than three-fourths of known economic history. Such dominance manifests by design; not happenstance.**
- The Survey draws on literature describing the ancient system to show that the invisible hand of the market supported by the hand of trust led to such dominance.



# WEALTH CREATION: THE INVISIBLE HAND SUPPORTED BY THE HAND OF TRUST

- The growth performance of the Indian economy and various sectors after India returned back to its roots post economic liberalisation in 1991 provides the contemporary evidence.

Figure 14: Growth in passenger traffic across open sector (roads) and closed sector (railways)



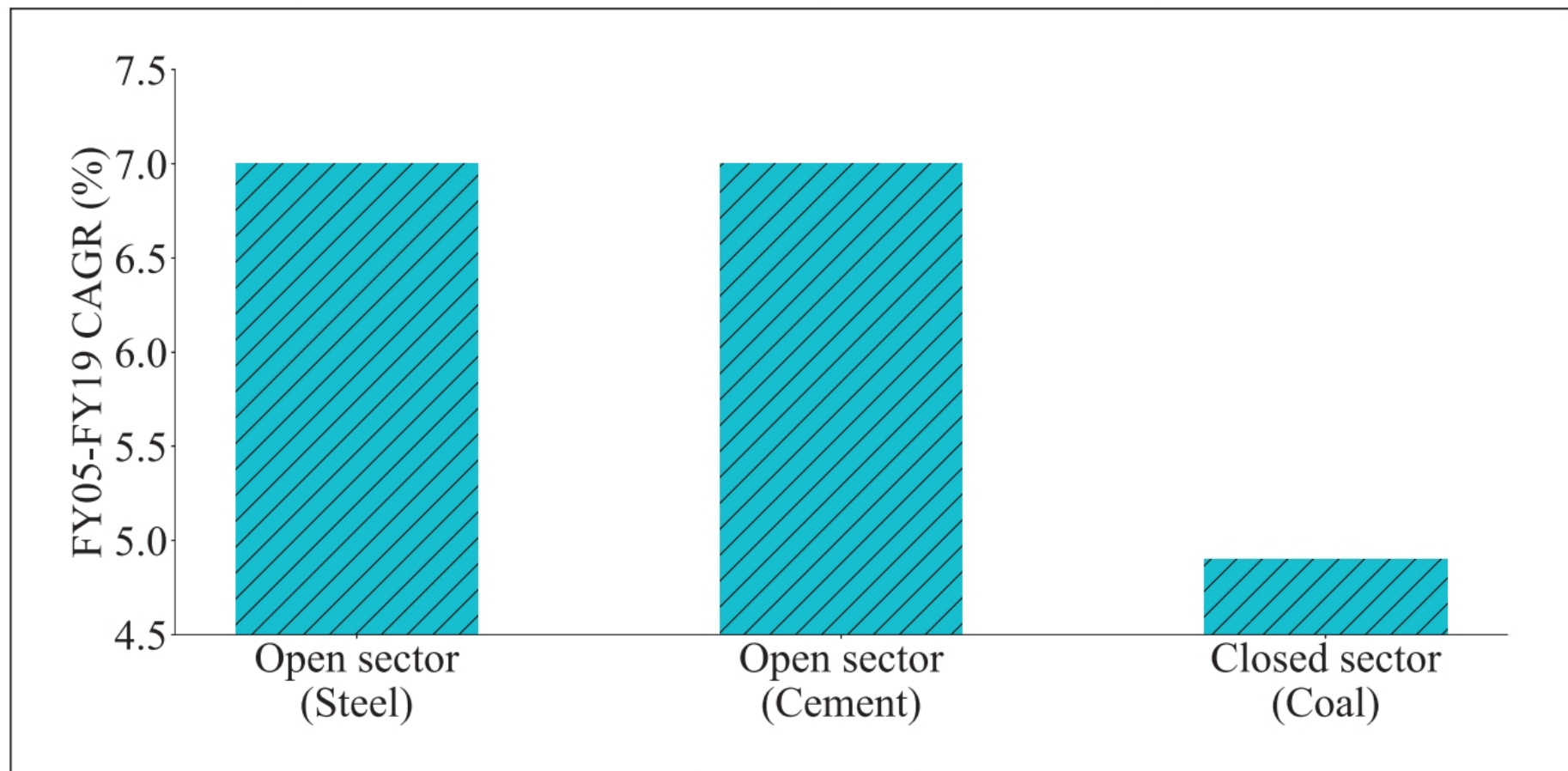
Source: CMIE, Company Annual reports and Survey calculations.

- Introducing the idea of “trust as a public good that gets enhanced with greater use”, the Survey also makes some suggestions for enhancing this public good.

# WEALTH CREATION: THE INVISIBLE HAND SUPPORTED BY THE HAND OF TRUST

- The Survey's conceptualisation of wealth creation, thus, presents a synthesis of the old and the new, be it in the combination of ancient Indian tradition with contemporary evidence or in suggesting the use of FinTech for our Public Sector Banks.

Figure 12: Annual growth rates in open sectors (steel and cement) versus closed sector (coal)



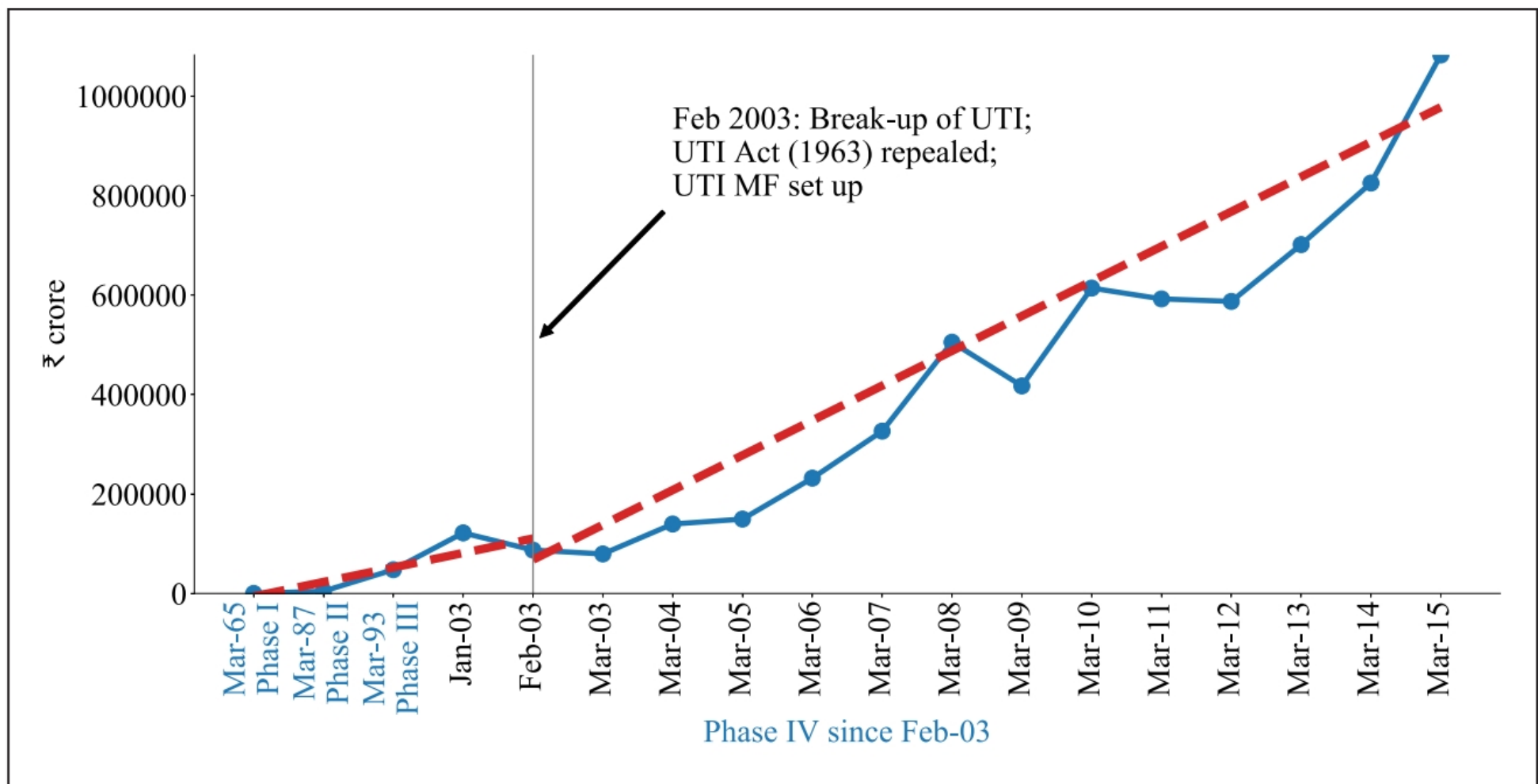
Source: CMIE, Company Annual reports and Survey calculations.

- The Survey makes the case that the churn created by a healthy pro-business system generates greater wealth than a static pro-crony system.

# WEALTH CREATION: THE INVISIBLE HAND SUPPORTED BY THE HAND OF TRUST

- Continuing the modest endeavour of Economic Survey 2018-19 to use principles of **behavioural economics as instruments of economic policy** and as an easy prism to have insights about human behaviour, the Economic Survey 2019-20 presents “**Thalinomics**” - an attempt to relate economics to the common person using something that he or she encounters every day – a plate of food i.e. a Thali.

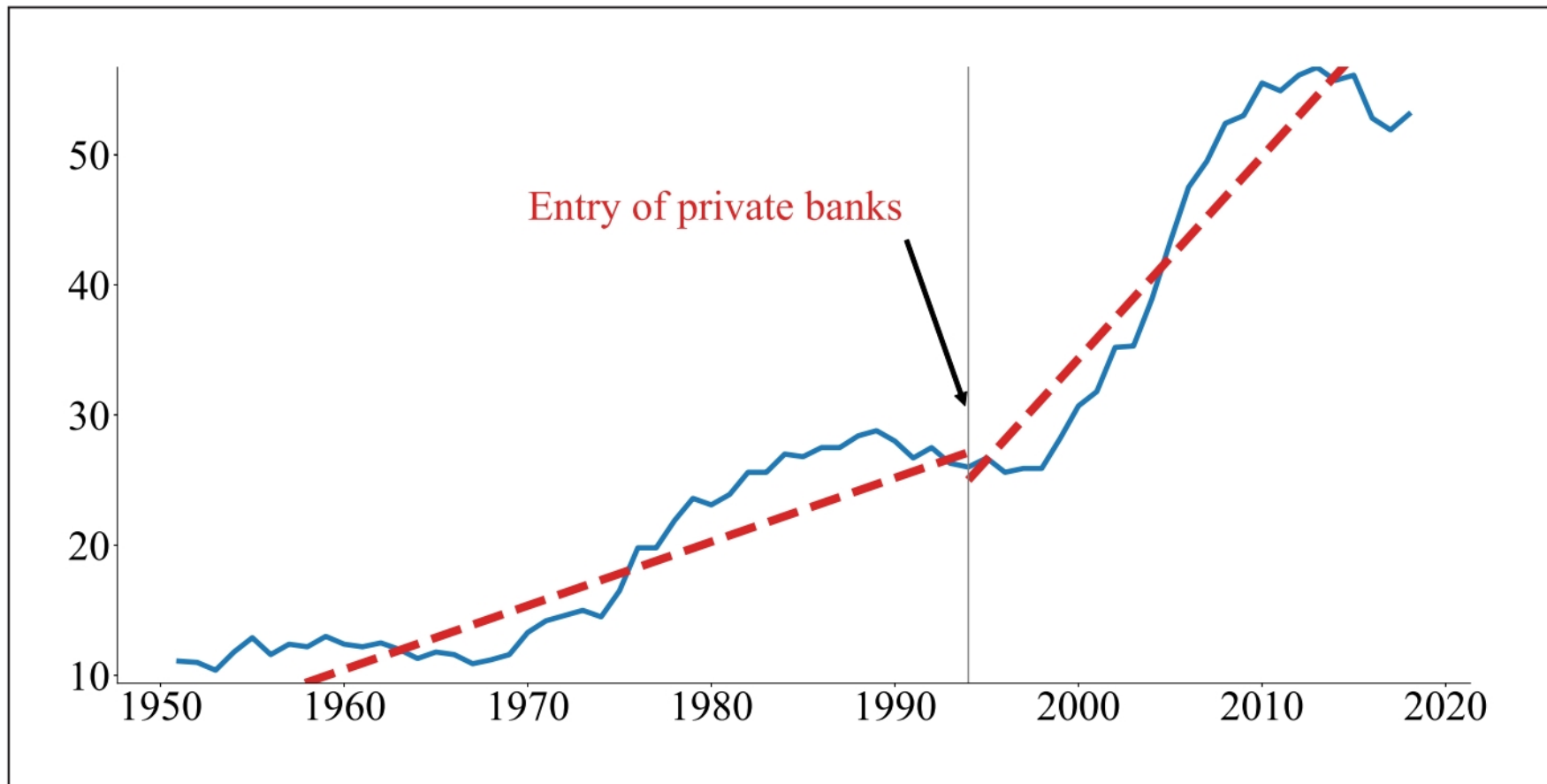
**Figure 10: Growth in mutual funds sector after opening up in 2003**



Source: AMFI data and Survey calculations.

# WEALTH CREATION: THE INVISIBLE HAND SUPPORTED BY THE HAND OF TRUST

**Figure 9: Increase in domestic credit to GDP after entry of private sector banks**



Source: World Bank WDI and Survey calculations.

- Figure 9 shows how credit in the banking sector expanded at much higher rates after the sector was opened for competition through licenses granted to private sector banks. As competition expanded the banking choices available to citizens, the sector experienced strong growth.

*This was the summary for Chapter 1 Part 1, we will share the next summary next week.*