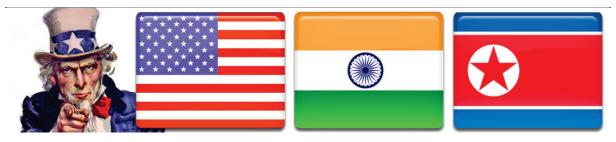⇒ The advantage of buying Iphone, Oneplus, Nokia or AndroidOne series of phones is they provide (free) operating system updates/security patches for 2-3 years. I believe coaching industry too needs to adopt similar business practice.

⇒ So, this 'Win20CSP update patch/handout' is for my old batch students who had joined my economy classes anywhere between Jan-2019 to Jan 2020. It contains updates since the end of last year's UPSC Prelim-2019, including Full Budget 2019 (that came in July after election), (SkyBlue cover) Economic Survey 2018-19, (Purple cover) Economic Survey 2019-20, Budget-2020 and other Current Affairs Updates from newspapers

⇒ I've deliberately omitted ball by ball commentary surrounding GDP/inflation/unemployment data during Corona because Economic Survey 2021 will provide a very clear picture and analysis of it. And UPSC examiners are smart to avoid 'dynamically changing' information.

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60 👳🧓 ECONOMIC PLANNING & ECONOMIC SYSTEMS

While we had studied socialism, capitalism and mixed economy in the full length economy course. Here are some minor theory tit-bits because UPSC IES exam contained some MCQs from it:

60.1.1 📚 Types of Economic Planning

⇒ Totalitarian planning (in USSR, N.Korea) vs Democratic planning (India). सर्वसत्तात्मक vs लोकतांत्रिक

⇒ Centralized (in USSR, N.Korea) Vs Decentralized (India- after 73rd and 74th Amendments) केन्द्रीकृत vs विकेंद्रीकृत

Planning by Inducement (प्रलोभन द्वारा)	by Direction (दिशानिर्देशन)
People are induced to act in a certain way through monetary policy and fiscal policy	Central authority will give predetermined targets and priorities.
Indicative Planning (सूचक)	**Imperative (आदेशात्मक)**
⇒ Started in France by Monnet plan ⇒ Found in mixed economies ⇒ Government prepares an outline of plan after consulting with public and private sector. They are given funds, incentives, subsidies, tax breaks to maximize production, income & employment ⇒ Government does not force the private sector but just indicates the areas of cooperation and targets to be fulfilled. ⇒ Indicative planning procedure is **soft and flexible**. E.g. India, France	⇒ State & Public sector companies have complete control over resources. ⇒ No private sector involved. ⇒ No consumer sovereignty. ⇒ Imperative planning procedure is **strict and rigid.** E.g. USSR, N Korea
Financial planning	**Physical planning**
technique of planning in which resources are allocated in terms of money	allocation of resources in terms of men, materials and machinery

Table 1: Types of Planning based on timeframe

Planning →	Operational	Tactical	Strategic/Perspective
Timeframe →	Short upto 1 year	Medium: 3 to 7 years	Long: 10 years or more

🔤 ❓Which one of the following is the correct sequence of formation of the Commissions starting from the earliest? (UPSC-CDS-i-2020)

A. Finance Commission (FC), Planning Commission, Investment Commission, Election Commission
B. Election Commission, Planning Commission, FC, Investment Commission
C. Planning Commission, Election Commission, FC, Investment Commission
D. Investment Commission, FC, Planning Commission, Election Commission

Statistical data is required to prepare an economic plan or fiscal policy & to monitor its success or failure. And that leads to the next topic →

60.2 ➗ 📊 🕵️ 📈 [YEARBOOK] MOSPI, NSSO, CSO, NSO

Ministry of Statistics and Programme Implementation (MOSPI: सांख्यिकी और कार्यक्रम कार्यान्वयन मंत्रालय)'s administrative head is called 'Secretary & Chief Statistician of India' (भारत के मुख्य सांख्यिकीविद्).- usually, Indian Statistical Service officer recruited by UPSC. MoSPI has →

1. ☑️ **National Statistical Office (NSO:** राष्ट्रीय सांख्यिकी कार्यालय) →
   a. **Central Statistics Office (CSO:** केंद्रीय सांख्यिकी कार्यालय) → computation of GDP, GSDP, IIP, ASI, CPI (Rural, Urban, All India) and Economic Census (6th was done in 2013);
   b. **National Sample Survey Office (NSSO:** राष्ट्रीय प्रतिदर्श सर्वेक्षण कार्यालय) → data collection for various socio-economic indicators, Annual Survey of Industries (ASI), Rural-urban prices and other data required for CSO's calculations.
   c. **2019-June,** MoSPI merged A+B, henceforth it'll be called **National Statistical Office (NSO)** only. it will be headed by Chief statistician of India-cum-Secretary of MoSPI. (Earlier, C Rangarajan's National Statistical Commission in 2005 had recommended this CSO+NSSO Merger). Further, MoSPI also planning to setup a **National-Level Data Warehouse**: It'll act as a central repository of all the statistical data collected various ministries, and provide big data analytics.

2. 🎺 **Programme Implementation wing** (कार्यक्रम कार्यान्वयन स्कंध) →
   a. **Member of Parliament Local Area Development Scheme** (MPLADS-1993: सांसद स्थानीय क्षेत्र विकास योजना) → each MP can suggest development works worth ₹ 5 crore per year in his constituency. *(More in Pillar#5: Rural infra)*
   b. Twenty Point Programme (2006: बीस सूत्री कार्यक्रम) to measure performance of various schemes related to poverty alleviation, employment generation, housing, education, health, etc.
   c. Infrastructure Monitoring and Project Monitoring.

60.2.1 ➗📊🏆 Mahalanobis National Award for Statistics

⇒ P. C. Mahalanobis= Father of Indian Statistics. Architect of 2nd Five Year Plan (FYP)

⇒ MoSPI gives P. C. Mahalanobis National Award for outstanding work in statistics.

⇒ 2020: Given to C. Rangarajan (ex-RBI governor). He's the 1st person to win it.

60.2.2 MoSPI Reports' Controversies

- 2019-Jan: Two members resigned citing "*Over the months, we have been feeling that we were not been taken seriously and being sidelined by the government. NSC had approved the Employment Survey 2017-18 but it's not yet released.*" Critics allege this Employment survey shows jobs fell after demonetization / GST so Modi did not want data released.

- Former RBI Governor Dr. Raghuram Rajan and Former CEA Arvind Subramanian expressed doubts about the data collection methodologies of Indian Government.

- international organisations will lose confidence in India's data collection methodologies. They will not believe fully, even if the Indian economy is growing really.

- Large sized economy has to contribute more money to IMF & in return gets more voting rights in IMF board (e.g. USA). But, if IMF loses confidence in our data collection methodologies, they may not ⬆️ our quota, even if we become an economic superpower.

- International credit rating agencies such as Standard & Poor's (S&P), Moody's, and Fitch Group will give poor ratings to Indian G-Sec and corporate bonds → Foreign investors will feel shy about investing in India or they will demand higher interest rates.

60.2.3 ➗📊🕵️☑️ Standing Committee on Economic Statistics (SCES)

(2019-Dec) To improve the quality of data, MoSPI setup a Standing Committee on Economic Statistics (SCES: सांख्यिकी पर स्थायी समिति) with 27 members + 1 Chairman (Ex-Chief Statistician Pranab Sen) = 28 persons.

⇒ This new SCES Committee subsumes previous 4 Standing Committees on 1) labour force statistics, 2) industrial statistics, 3) services sector and 4) unincorporated sector enterprises.

⇒ SCES will review the existing framework/methodology/data collection for IIP, periodic labour force survey, economic census etc.

⇒ Chairman Pronab Sen suggested that

○ Government should **announce a specific calendar** that on 'x' date of each month or quarter, 'y' Macroeconomic indicator data will be released.

○ This way critiques will have **more confidence** in the data released by the Government.

🔤❓ **National Statistical Commission was established on the basis of the recommendations of which one of the following commissions/committees? (UPSC-Geologist-2020)**

A) Rangarajan B) Lodha C) Santhanam D) M.G.K. Menon Committee

61 👤 PILLAR#4C: INDICATORS → UNEMPLOYMENT

61.1 👷👤 UNEMPLOYMENT → WORKERS CLASSIFICATION BY NSO

self-employed स्व-रोजगारी	⇒ those who work for themselves & charge 'fees'. They do not sell their labour power to anyone else for a "wage", so they are their own 'boss'. सेवा के बदले फीस लेते है.तनख्वाह/वेतन नही ⇒ subcategories: 1) Own Account 2) Partners / Owners / Employers Of Business Firm 3) Unpaid Family Labourers
regular wage/salaried employees	⇒ नियत वेतनभोगी कर्मचारी ⇒ They sell their labour to 'boss (employer)', for predetermined wages/salary. Their job continuous round the year.
casual workers अनियत कर्मचारी	⇒ They sell labour for 'wage' but 'boss (employer) hires them for very short time period on daily or monthly basis.

Table 2: Number of workers in each category in PLFS: 2017-18

High to low	1	2	3	4	5
👫 (Male, Female Combined)	Own account workers	Casual workers	salaried employees	Unpaid family labourers.	2% Employer (those who give jobs to others)
👨 Male only	Same descending order as above.				
👩 Female only	Unpaid family labourers	Casual worker	salaried employees	Own account workers	0.5% Employer within female labourers

61.1.1 👷👤 Census-2011 classification of workers

Worker type	Employed for this much duration in a year
Main worker	6 months or more. (183 days to be precise)

Worker type	Employed for this much duration in a year
Marginal worker	less than 6 months.

🔤❓**According to Census of India, 'Main Worker' is a person who works for at least _ _ days in a year (UPSC-Geologist-2020)**

A) 100 days in a year. B) 153 days in a year. C) 183 days in a year. D) 200 days in a year.

61.2 👩 UNEMPLOYMENT → NSO SURVEY TYPES

NSO surveys →	Quinquennial Employment and Unemployment Surveys	Periodic Labour Force Survey (PLFS आवधिक श्रम बल सर्वेक्षण)
Survey frequency?	Every 5 years. Starting from 1972 Last survey done in 2011-12. Then **discontinued**	⇒ Annual. Started since 2017 ⇒ 2017's result announced in 2019.
Which households are surveyed?	Non-agriculture workers in rural and urban areas	⇒ 75% of the surveyed house should have a minimum one class10 pass person. ⇒ Both urban & rural, agro & non-agro covered.

61.3 👩 INDICATORS → UNEMPLOYMENT RATE (UR)

👨👩**Labour force (श्रमिक वर्ग)**= Those who are 'working' (or employed) + Those 'seeking or available for work' (=involuntarily unemployed).

Unemployment rate finds involuntarily unemployed persons via following formula:

$$\text{Unemployment Rate (UR)} = \left[\frac{👨👩 No\ of\ (involuntarily)\ unemployed\ persons\ in\ labour\ force}{Total\ labour\ force\ 👨👩👨👩}\right] \times 100$$
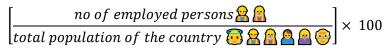
Table 3: NSO measures unemployment in 3 different approaches viz.

Current Weekly Status	If not employed even 1 hr work in a week
Current Daily Status	If not employed even 1 hr work in a day in a given week.
Usual Status (US)	- It's further subdivided into Principal activity status (ps) and Subsidiary economic activity status (ss) ~~but internal difference poor cost benefit.~~ - If person's usual status (pp+ss) was "Unemployed" for majority of the year → he's deemed unemployed. - In official reports, this figure is given more prominence. - **2019-Jun:** NSO's periodic labour force survey (PLFS: आवधिक श्रमबल सर्वेक्षण) says unemployment rate is 6.1% as per (US PP+SS: 2017) which is highest in last 45 years. **

** Although 📙📙ES20 chose to highlight only the positive data. That from 2011 to 2017: unpaid family labour has ⬇ etc.

61.4 👷/(👨👩) INDICATORS → WORKER POPULATION RATIO (WPR)

It is the percentage of employed persons in the population.

$$\left[\frac{no\ of\ employed\ persons👨👩}{total\ population\ of\ the\ country\ 👼👨👩👧👦👴}\right] \times 100$$
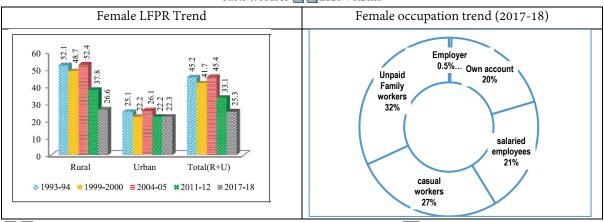
61.5 👮/(👳👮👴) Indicators → Labour Force Participation Rate (LFPR)

श्रम बल भागीदारी दर (LFPR) is the % of persons in labour force (i.e. working or seeking or available for work) in the population.

$$\left[\frac{\text{no of employed persons}👩👱 + 👦👩\text{no of involuntarily unemployed persons}}{\text{total persons of the country }😎👩👧👩👨👩👴👶}\right] \times 100$$

- 2017: 37% (male+female in rural+urban combined). It can't be 100% because there will be children, elderly outside the '15-59' age group meant for workers.

- 👩LFPR for female: Replace the word 'person' with 'female' in above formula. It's lower than male LFPR.

$$\Rightarrow LFPR(female) = \left[\frac{\text{no of employed female }👩+ 👩\text{no of involuntarily unemployed female}}{\text{total female of the country }👩👧👩👶}\right] \times 100$$

Table 4: source 📖📖ES20 Vol2ch8

Female LFPR Trend | Female occupation trend (2017-18)

📖📖ES20 observed: 2004 to 2017, LFPR (Female: rural+urban) steadily ⬇ because

- ⬆ women pursuing higher studies → their entry in the job market is delayed.

- ⬆ in income of (some) rural men → their wives have stopped working as labourer and just playing domestic housewives role.

- ⬆mechanization of agriculture & animal husbandry → ⬇ demand for female agri workers.

- ⬇ textile/leather exports due to US/EU protectionism → ⬇demand for female workers

- ⬇real estate sales → ⬇ construction of new buildings → ⬇female laborers

- Cultural factors, social constraints and patriarchal norms restricting mobility and freedom of women.

- Many rural / small-town girls don't have require knowledge of computer and English to get jobs in emergent startup sectors.

Solution? Government schemes for skill development and entrepreneurship among women → Ref: Pillar6-HRD → Women empowerment.

⇒ Gross Domestic Product (सकल घरेलू उत्पाद) is the market value of all the goods and services produced within the domestic territory of a country during a specified time period, usually one year.

⇒ Here, domestic territory = political frontiers of the country including its territorial waters, ships, aircrafts, fishing vessels operated by the normal residents of the country; AND its embassies, consulates located abroad. (as per NIOS textbook)

62.1 🗡️😄✋Pᴏsᴛ-Cᴏʀᴏɴᴀ: V-sʜᴀᴘᴇᴅ ʀᴇᴄᴏᴠᴇʀʏ ғᴏʀ Iɴᴅɪᴀ?

⇒ IF GDP growth suffers a sharp economic decline → then quickly recovers. So graph will appear "V-shaped".

⇒ 1918-1920: Spanish Flu: USA growth falls to (3.5%) → afterwards quickly recovers to (7.5%) = V-shaped recovery.

⇒ 2020: CEA Subramanian K. predicts, "History will repeat itself for India- IF Corona vaccine is found sooner."

62.2 📐🔽 GDP Gʀᴏᴡᴛʜ ʀᴀᴛᴇ ᴏғ Iɴᴅɪᴀ & Wᴏʀʟᴅ ɪs 🔽, sᴀʏs 📖📖ES20

	GDP Growth Rate (Base2011)	CPI (Base2012)	WPI (Base2012)	IIP (Base2011)
2013-14	6.4	8.25	4.68	2.9
2014-15	7.4	5.25	-2.06	2.4
2015-16	8	4.83	-0.91	5.2
2016-17	8.2	4.5	1.7	4.6
2017-18	7.2	3.6	3	4.4
2018-19	6.8	3.4	4.3	3.8
2019-20	5	4.1	1.5	0.6
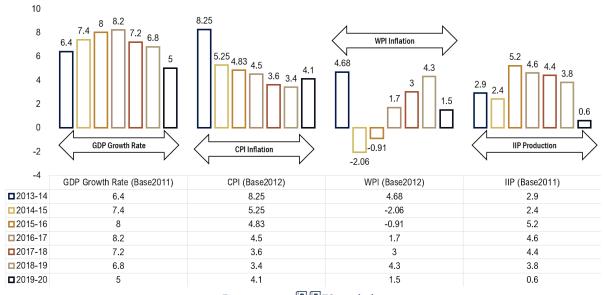
Figure 1: source 📖📖ES20 vol2ch1

Real Growth	2017-18	2018-19	2019-20	2020-21 (Estimated)
India	7.2%	6.8%	5.0%	⇒ 5.8% (IMF's world economic outlook) ⇒ 5.8% World Bank's Global Economic Prospects

Real Growth	2017-18	2018-19	2019-20	2020-21 (Estimated)
				⇒ 6.0-6.5% as per Economic Survey 2019-20*
World	3.8%	3.6%	2.9%	3.3% (IMF's world economic outlook)*

*these estimates given before Corona. 😖 😵

62.3 📝 📖📖 ES20 Vol1Ch10: India GDP is not overstated

⇒ 2015: India changed its GDP Base year from 2004 to 2011. It was done to comply with the System of National Accounts (SNA-2008) of the United Nations.

⇒ Using 2011 as base year prices, India's
  o Average annual GDP growth rate was approximately 7% (2011 to 2016).
  o Average annual GDP growth rate was approximately 7.5% (for the last five years that is 2015-2019).

⇒ **2019-March**: Former RBI Governor **Raghuram Rajan expressed doubt** over India's 7% growth rate. He felt it was overstated (वास्तवीक अंक से ज्यादा बढ़ा चढ़ाकर दिखाया है)

⇒ **2019-June:** Former CEA Arvind Subramanian published a research paper
  o He compared the growth rate figures against India's exports, imports, loans to industry, petroleum consumption, railway freight traffic, electricity consumption, etc.
  o He did not find strong evidence of 7% GDP growth. He estimated it's only 4.5%.
  o That means, India's growth rate has been overestimated by 7.0-4.5 = 2.5%. (भारत के जीडीपी वृद्धिदर को बढ़ा चढ़ाकर दर्शाया जाता है)

⇒ So, if Raghuram Rajan & Arvind Subramanian are right then either
  o The Government's data collection methodology is wrong (डाटा को इकट्ठा करने का तरीका/कार्यप्रणाली गलत है) and/or
  o Collected data is manipulated / doctored. (डाटा के साथ छेड़खानी की जाती है.)

📖📖ES20: CEA Subramanian K. has dedicated a entire chapter to prove how above criticism (By Raghuram Rajan and Arvind Subramanian) is invalid.

⇒ He did a lot of 'bol-bachchan' using heavy academic words like Difference-in-difference (DID) Method, variable bias in regression models, etc.

⇒ He basically tried to prove that all those national and international analysts are wrong. India's GDP is not overstated or mis-calculated.

⇒ ✋But in terms of MCQ worthy content, there is hardly anything noteworthy.

62.3.1 Growth rate: why fall / decline?

⇒ Protectionism in China and the USA (संरक्षणवाद), US-Iran geopolitical tensions (भू-राजनीतिक तनाव) → global trade is affected.

⇒ Consequently the investment and manufacturing production has ⬇ even in the G7 and OECD group of countries. India's not the only country suffering from exports

⇒ Sharp ⬇ in the automobile purchase. This problem will further worsen with Bharat-6 emission norms. Such vehicles are more expensive compared to the previous models.

⇒ Virtuous Cycle of Growth (संवृद्धि का सु-चक्र):

o ⬆ investment → ⬆ economic growth → ⬆ consumption → ⬆ investment.

o In India, investment slowed down in the aftermath of Nonperforming assets - Twin balance sheet syndrome (TBS) & IL&FS-NBFC Crisis. (Ref: Pillar#1B)

o Although now things are improving, but, it takes two to four years for the cycle to restart again.

⇒ IMF research found that if there is a sudden ⬆ in loans, → increased production, employment and demand. But this positive effect remains only for a short term.

o In the long term, it'll cause a ⬇ in growth rate.

o Same has happened in India: during the mid-2000s (before the subprime crisis), the lending quantity was very high → later growth ⬇

According to critiques, the demonetization and GST too have harmed the growth rate but 🟧🟧 ES20 chose to remain silent on that part.

62.3.2 📝🗺 Declining Growth rate: future risks / challenges

ES20 vol2ch1 identified following challenges:

⇒ US-Iran geo-political → crude oil price ⬆ → weaker rupee → higher inflation → reduced consumption → GDP declines.

⇒ Even after the Insolvency Bankruptcy Code, the bad loan resolution process has been very slow. Banks reluctant to give loans to the corporate sector → GDP can't expand.

⇒ Government's National Infrastructure Pipeline (NIP) aims to spend 102 lakh crore on infrastructure in the next five years. But then government will have to borrow more money → ⬆ fiscal deficit → crowding out of the private investors → GDP cannot expand. (More in Pillar#5:infra)

⇒ Unless real estate developers reduce home prices, It is difficult to sell the unsold homes → Builders will not build new homes → ⬇ demand of Steel and cement → GDP cannot expand.

⇒ 2019: India is among the top 5 economies of the world in terms of GDP at current US$ trillion i.e. USA (21 Tn$), China ($14), Japan ($5), Germany ($3.9), India ($2.9)

⇒ 2024-25: We plan to increase the size of our economy to 5 trillion. But to achieve this, we need 9% GDP Growth rate annually, which is rather difficult because presently we are struggling around 5%

⇒ 😵😷 Corona lockdown.

62.3.3 📝🗺 Global Risk Report (वैश्विक जोखिम रिपोर्ट)

⇒ World Economic Forum's (WEF's) Global Risks Report 2020 shows that the global risks over the coming decade. Notable risks are

⇒ **2020**: weather, climate, natural disasters, biodiversity loss, water crisis, weapons of mass destruction. (मौसम, जलवायु, प्राकृतिक आपदा, जैव विविधता की हानि, जल संकट, सामूहिक विनाश के हथियार)

⇒ **2019**: similar to above and cybersecurity, data theft, data fraud. (साइबर सुरक्षा, डेटा चोरी/धोखा धड़ी)

62.3.4 📝🦹🥤😈 Declining Growth rate: glass is still half-full!

⇒ Among the BRICS Nations, India's growth rate is still relatively better and stable than Brazil, China, Russia.

⇒ Even though the GDP growth rate is falling, Bombay Stock Exchange (BSE) SENXSEX is improving. Which means both domestic and foreign investors are still investing enthusiastically in the shares of companies → Which means they are confident that the Indian economy will improve in the upcoming days.

⇒ By doing the quarterly growth analysis since 1996, CEA Subramanian K. found India's **business cycle is about 13 quarters.**

⇒ Meaning, after every 13 quarters, we will achieve the highest level and then it will start to fall.

⇒ Presently we are at the "Fall phase", But definitely improve after that as per the historic trend of our business cycles.

62.3.5 World Bank-ICP's GDP series based on PPP

⇒ UN Economic and Social Council → United Nations Statistical Commission → International Comparison Program (ICP)

⇒ ICP's goal is to convert data on Purchasing Power Parities (PPPs) so GDP and price levels can compared. More on PPP = Ref Pillar#3A:

⇒ 2020-June: World Bank released new datasets for 2017, using ICP.

GDP for 2017	Entire world	#1 China	#2 USA	#3: India $1=₹21 (PPP)
(PPP $, Trillion)	120 Trillion	abt 20 trillion	abt 20 trillion	8 trillion
% of total	100%	16.4%	16.3%	6.7%

62.3.6 💼 (Full) Budget-2019: $5 Trillion economy

Year	India's GDP in trillion $ (Current Prices)
2014-15	1.85 trillion
2018-19	2.70 trillion
2019-20	2.90 trillion
2024-25	5 trillion targeted (i.e.by 31/3/2025)

- ES19 has given blueprint for this and said, "We kept the cover of this survey in skyblue color, because we've given blueprint for $5 trillion economy."
- **Counterview:** Former RBI Governor C.Rangarajan said India cannot achieve 5 trillion dollar economy by 2025, because to achieve it, we'll have to grow at 9-10% annually but at present we are struggling with 5-6% growth rate. यानि की हमसे ना हो पाएगा
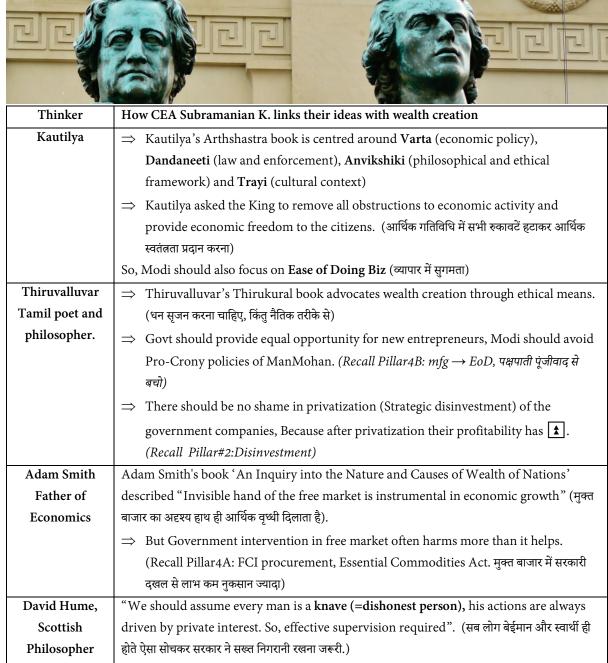
62.4 🔲🔲ES20 Vol1Ch1 on Wealth Creation (धन सृजन)

⇒ Until the entry of Europeans, India has been the dominant global economic power.

⇒ Then our GDP growth started to ⬇ during British Raj and Nehruvian Socialism.

⇒ But since 1991's LPG reforms, again we are back on track.

🔲🔲ES20 identified following benefits of wealth creation by private entrepreneurs:

Employees, suppliers, retailers	⬆ income, jobs
Government	⬆ tax collection
Common citizen	⬆ quality of roads, schools, hospitals created through the tax revenue

Then, CEA Subramanian K. talks about "wealth creation" in context of GDP and Per Capita GDP. He uses ancient and modern thinkers/economists to suggest how to ⬆ our wealth

Thinker	How CEA Subramanian K. links their ideas with wealth creation
Kautilya	⇒ Kautilya's Arthshastra book is centred around **Varta** (economic policy), **Dandaneeti** (law and enforcement), **Anvikshiki** (philosophical and ethical framework) and **Trayi** (cultural context) ⇒ Kautilya asked the King to remove all obstructions to economic activity and provide economic freedom to the citizens. (आर्थिक गतिविधि में सभी रुकावटें हटाकर आर्थिक स्वतंत्रता प्रदान करना) So, Modi should also focus on **Ease of Doing Biz** (व्यापार में सुगमता)
Thiruvalluvar Tamil poet and philosopher.	⇒ Thiruvalluvar's Thirukural book advocates wealth creation through ethical means. (धन सृजन करना चाहिए, किंतु नैतिक तरीके से) ⇒ Govt should provide equal opportunity for new entrepreneurs, Modi should avoid Pro-Crony policies of ManMohan. *(Recall Pillar4B: mfg → EoD, पक्षपाती पूंजीवाद से बचो)* ⇒ There should be no shame in privatization (Strategic disinvestment) of the government companies, Because after privatization their profitability has ⬆. *(Recall Pillar#2:Disinvestment)*
Adam Smith Father of Economics	Adam Smith's book 'An Inquiry into the Nature and Causes of Wealth of Nations' described "Invisible hand of the free market is instrumental in economic growth" (मुक्त बाजार का अदृश्य हाथ ही आर्थिक वृध्धी दिलाता है). ⇒ But Government intervention in free market often harms more than it helps. (Recall Pillar4A: FCI procurement, Essential Commodities Act. मुक्त बाजार में सरकारी दखल से लाभ कम नुकसान ज्यादा)
David Hume, Scottish Philosopher	"We should assume every man is a **knave (=dishonest person),** his actions are always driven by private interest. So, effective supervision required". (सब लोग बेईमान और स्वार्थी ही होते ऐसा सोचकर सरकार ने सख्त निगरानी रखना जरूरी.) ⇒ So, we've to regulate the **Shadow banking** sector (प्रतिछाया बैंक) more vigorously. (Ref#1B) ⇒ We must deal with the wilful defaulters responsible for the high level of NPA. → use Artificial intelligence, Machine Learning etc., create PSBN network. (Ref#1B) ⇒ American Sharemarket regulators has 15x times the number of employees than SEBI. So, we also need to increase manpower in regulatory bodies. (Ref#1C)
Motivation प्रेरणा	**Abraham Maslow's** Motivational Pyramid: "Individuals are not driven just by physical / material, but they also have needs of self-esteem and self-actualization" (व्यक्ति की प्रेरणा का स्रोत सिर्फ भौतिक सुख नहीं, बल्कि आत्म-सम्मान और आत्म-प्राप्ति भी होते हैं)

Thinker	How CEA Subramanian K. links their ideas with wealth creation
	Confucius: "if Government guides the people with penalties → they'll shamelessly evade the law. But if the Government guides them with virtue → people will become upright." (सरकार सद्गुण के साथ मार्गदर्शन करती है → लोग ईमानदार हो जाएंगे।) ⇒ Therefore we should use the ideas of behavioral economics to increase their morale to (व्यवहार अर्थशास्त्र, नैतिक स्तर बढ़ाएं) ⇒ 1) Give up subsidies and ⇒ 2) honestly pay taxes (Ref: Pillar#2)
Trust विश्वास	**Adam Smith's** book 'The Theory of Moral Sentiments' described, "while people are sometimes selfish, they also derive pleasure from seeing the happiness of others. ⇒ Absence of such mutual sympathy / trust (परस्पर सहानुभूति / विश्वास) can result in financial disasters, as seen in Subprime Crisis, Global Financial Crisis, India's NPA & Wilful defaulters. ⇒ So, trust is a 'public good (सार्वजनिक वस्तु)' similar to 'streetlight'- everyone benefits from it. Government & entrepreneurs should try to build trust with citizens and with each other.

Further, "Assemble in India", "Agri Exports" → ⬆Export → ⬆GDP etc= Ref: previous handout (Pillar#4A & 4B).

62.5 🧕😖 ES19: GDP GROWTH HARMED DURING ECONOMIC POLICY UNCERTAINTY

Economic Policy Uncertainty Index (EPU: आर्थिक नीति अनिश्चितता सूचकांक) index Started in 2016, by three US-based economists—Scott Ross Baker, Nick Bloom and Steven J. Davis.

- They capture countries' newspapers' headlines related to economic policy uncertainty, and then rank the nation accordingly.
- 2011-12: economic policy uncertainty was the highest in India.
- 2G Scam, Coal allocation scam, Subprime Crisis, Global Financial Crisis.
- During this time, the government did not take the corporate friendly reform decisions or reverted its original decisions fearing the media scrutiny, judicial scrutiny, protest by the labour unions.
- 2016-17: increased due to Demonetisation, GST. But during this stage it was not as bad as the uncertainty during 2011-12.
- From 2014 onwards India's EPU has declined although in a zigzag manner with occasional spikes during Demonetization - GST etc. Whereas Global EPU has increased in zigzag manner- due to the Policies pursued by Donald Trump, BREXIT, Iran, N.Korea, OPEC, Trade war between USA and China etc.

- During high EPU: domestic investors hold up their decision to invest into financial market. They prefer to invest in gold (=large BOP), land / real estate (=Black money). FPI inflows decline during are volatility of exchange rate.

- However, the relationship between FDI growth and volatility of exchange rate is weak. Because Foreign Direct Investors are entering a market for long term. They look at multiple factors beyond just the exchange rate. They look at taxation, monetary policy, consumer sentiment etc. all which are reflected by EPU.

- Low growth of FPI, FDI = Corporates are deprived of the new capital from the domestic and foreign investors → it affect the factory expansion, job creation and GDP growth.

62.6 📖📖 ES19: How to reduce Economic Policy Uncertainty

Reducing economic policy uncertainty is critical for both domestic investment and foreign investment. Therefore, ES19 suggested following reforms:

62.6.1 Make Policies predictable (पूर्वानुमान करने योग्य)

Top-level policymakers must ensure that their policy actions are predictable. E.g.

- From which date Bharat Stage emission norms will become effective?
- From which date GAAR or E-Way Bill will become effective?
- **2016-Budget** proposed to impose income tax on the money withdrawn by subscriber from his EPFO fund. Later, due to labour unions backlash it was reverted.
- **2019-Budget** proposed to hike surcharge on the income tax of super-rich, then due to a backlash by foreign investors, it was reverted.

62.6.2 Keep consistency in promises (वादों में सामंजस्य / निरंतरता रखिये)

Government / Regulators should maintain broad consistency in actual policy with the forward guidance. They should reduce ambiguity/arbitrariness in policy implementation. E.g.

- 2018-Dec: Monetary policy Committee keeping "Calibrated Tightening". Means in the next meeting they would either 'hold', or 'increase' repo rate. No chance of cutting the repo rate. Yet in 2019-Feb, they cut the repo rate.
- Similarly, Government should avoid changing the goalposts and deadlines of Fiscal Responsibility and Budget Management Act. Then consistency becomes hard to find and harder to follow.

62.6.3 Policy implementations must be monitored

- "What gets measured gets acted upon". Therefore, Government must monitor its performance in the Economic Policy Uncertainty Index on a quarterly basis. We should construct India-specific sub indices of economic uncertainty To monitor our performance.
- The actual implementation of policy occurs at the lower levels, where ambiguity gets created and it compounds the economic policy uncertainty. Therefore, staff should be trained and implementation processes should be certified (by NITI etc) before implementing policy.
- Poorly drafted laws full of ambiguities, amendments, clarifications and exemptions = endless litigation. E.g. Provisions related to Capital Gains Tax in the Income Tax Act 1961: Vodafone-Hutch case.

62.6.4 Respect boundaries

✓ Judiciary, legislature and executive should respect each other's boundaries. Executive and legislature should not create a vacuum which could encourage Judicial Overreach (न्यायिक अतिविस्तार) such as firecracker ban, or no selling of liquor on highway hotels, which may create new challenges in economy.

62.6.5 ✍ Conclusion: Policy Uncertainty

✓ Indian faces economic uncertainty from many fronts which are beyond our control e.g. Poor monsoon, BREXIT, OPEC Oil cuts, Geopolitical disturbance in the Korean Peninsula and Western Asia (Iran), protectionism and tariff wars.

✓ While policymakers can not control above 'economic and diplomatic uncertainties', they can definitely control economic policy uncertainty.

✓ Successive economic surveys have found that greater private investment is necessary for economic growth in India. EPU can spook investors and spoil the investment climate in the economy, therefore Government must strive for 100% policy certainty on the economic fronts.

📘 📘 *Homework: Economic Survey 2018-19 Vol1 Ch6 Read Introduction upto Bullet 6.2. Then, read Conclusion from Bullet 6.22.*

62.6.6 ✍ Conclusion: 5 Trillion economy?

✓ Higher economic growth can help increasing employment avenues for citizens & tax revenues for the Governments.

✓ Collectively, this results in improved living standards through higher expenditure on health & education by both the citizens and the State.

✓ Therefore, we must leave no stone unturned to accomplish above targets / address above challenges on priority basis.

62.7 👹🦠⏰🎧☑ GDP → $5 TRILLION → ATMA-NIRBHAR BHARAT

⇒ (Origin) 2020-March: Government of India initiated nationwide lockdown to prevent the spread of Corona/COVID-19 pandemic. (कोरोना महामारी के चलते देशव्यापी तालाबंदी)

⇒ This lockdown affected the income and livelihood of everyone from corporate companies to common citizens of India. (सबकी आजीविका को हानि हुई)

⇒ Therefore, to revive the economy, Prime Minister of India launched Atma Nirbhar Bharat stimulus package in 2020-May to revive the Indian economy. (अर्थव्यवस्था को पुनर्जीवन / प्रोत्साहन का आर्थिक पेकेज)

⇒ It's centred on five pillars of – Economy, Infrastructure, System, Demand and Vibrant Demography (स्फूर्तिली जनसांख्यिकी).

62.7.1 👹🦠⏰🎧☑ Atma-Nirbhar Bharat Salient features

<REFER To respective pillar's handouts>

Mrunal's Pillars	Atma-Nirbhar Salient Features (List not exhaustive)
1A, B,C: **Money Banking** **Finance**	⇒ RBI's easy monetary policy, loan moratorium, Additional loan towards States (WMA, CSF), NBFCs & Mutual Funds, Postponed Basel norms ⇒ Government schemes for loans towards NBFCs, MSME ⇒ IBC code suspended ⇒ Allowed Indian companies to directly list their shares in foreign exchange ⇒ Relaxed penalties in the Companies Act
1D: insurance **& Fin Inclusion**	⇒ ₹50 lakh insurance if Corona health worker died ⇒ Expanded the coverage of workers in ESIC ⇒ EPFO: small firms → Government to pay the money ⇒ EPFO: large firms → Govt ⬇% ⇒ Promised social security, health check up etc for unorganised sector workers ⇒ Direct money transfer of 500-1000 rupees in PM-JDY women accounts, Senior citizen accounts, PH etc. ⇒ Loans for SHG, MSME, Street Vendors (SVANIDHI)
2: Public Finance **taxation**	⇒ Extended the deadline for filing taxes ⇒ Reduced TDS rates ⇒ Changed the policy of disinvestment ⇒ Promise to help the states finances ⇒ PM CARES fund for accepting donation
3: International **trade**	⇒ RBI's VRR and FAR windows for attracting $$ ⇒ Borrowed billions of $$ from BRICS-NDB, AIIB, ADB, World bank etc To revive Indian economy ⇒ Banned the import of 101 defense items. FDI in defense ⬆ ⇒ Global companies can't apply for Indian Government tenders below "X" amount. (to reduce import bill & help local biz)
4A: Agriculture,	⇒ Paid the PM-KISAN installments ahead of its due date (Frontloading) ⇒ 3 Ordinance to Reform the agriculture and food processing sector (APMC, Contract Farming, Essential commodities) ⇒ ⬆MSP ⇒ Operation Green expanded to all fruits and veggies ⇒ funding / loans for Food processing industry in Dairy cooperatives ⇒ Agriculture Infrastructure Fund, Animal Husbandry Infrastructure Fund, Pradhan Mantri Kisan Sampada Yojana
4B: mfg, Ease of **Doing Biz**	⇒ new portals: (MSME) CHAMPIONS portal, YUKTI 2.0 (Corona innovation) ⇒ Change the definition of MSME, ⇒ MSME Loan schemes, equity infusion ⇒ Interest subvention in Mudra loans ⇒ Global companies can't apply for Indian Government tenders below "X" amount. (to reduce import bill & help local biz)

Mrunal's Pillars	Atma-Nirbhar Salient Features (List not exhaustive)
5: Infrastructure	⇒ Reforms to encourage more commercial Mining
	⇒ Funding for DISCOMs to increase electricity production
	⇒ PM-Awas yojana sub-components deadline extended
	⇒ Rental housing will be promoted
	⇒ PPP for airports, atomic energy, space tech
	⇒ Transport → Vande Bharat mission and Shramik special trains to help the migrants reach their home
	⇒ Force Majeure in RERA act, No penalty on road contractors If projects not finished in time
6: Poverty, hunger, education	⇒ New portals & TV channels for online education
	⇒ One Nation one ration card, free grains, pulses and LPG cylinders for poor
	⇒ MGNREGA wages and funding ⬆
	⇒ DBT of money in PM-JDY women, poor senior citizens, poor PH
	⇒ SHG: loans, procure masks and sanitizers produced by them
	⇒ Street vendors ko ₹10k loans (SVANiDHI scheme)

😈*As such Atma-Nirbhar criticism is not important for UPSC exam nowadays. But some idea may be required for interviews.*

62.7.2 😸✋😺◻ Atmani-Criticism: 20lcr = insufficient to revive Indian economy

Country	Japan	Malaysia	Singapore	India
Stimulus package as a % of GDP	20%	16.2%	12.2%	Just 10%

So, 20lcr is quite insufficient. अर्थव्यवस्था को पुनर्जीवित करने के लिए रकम पर्याप्त नहीं है

Counter argument: (REF Pillar2D) If Modi tried to give bigger fiscal stimulus THEN →

❖ Fiscal Deficit ⬆ = Credit Rating ⬇ = Flight of Foreign Investors = Currency exchange rate volatility.

❖ If the deficit is monetized by RBI printing more currency → demand side inflation like Post-WW1-ka Germany.

62.7.3 😸✋😺📊 Atmani-Criticism:

Ref: Handout Win20CSP_Pillar2B_ATMA_NIRBHAR

62.7.4 😸✋😺 Atmani-Criticism: Nehru's Ideas vs Modi's Ideas

Ref: Handout Win20CSP_Pillar2B_ATMA_NIRBHAR

62.7.5 😸✋😼 Atmani-Alternate Suggestions to revive Economy: अन्य सुझाव

Ref: Handout Win20CSP_Pillar2B_ATMA_NIRBHAR

62.8 ✍😸 Conclusion: ATMANI (Appreciative Tone)

⇒ Thus, ATMANI focuses on the well-being of the poors, credit to MSME, ease of doing biz for the corporate sector, reforms in agriculture and catalysing the development of infrastructure. [No need to mention all the salient features in conclusion.]

⇒ OR Thus, ATMANI focuses on boosting the Supply and Demand side of the economy, it also aims for improving the ease of doing business and ease of availing loans/credit. मांग और आपूर्ति, व्यापार करने में आसानी, ऋण लेने में आसानी।

These reforms will certainly help in a long way to revive Indian economy in the aftermath of the Corona pandemic crisis. कोरोनावायरस के बाद अर्थव्यवस्था को पुनर्जीवित करने में बहुत योगदान देगा।

62.9 ✍️🖌️ MAINS QUESTIONS: GDP, ECONOMIC GROWTH

62.9.1 ✍️🖌️ Mains Questions → Mock Questions → Atma-Nirbhar

1) "Atma Nirbhar Bharat 😎 is not just a mere fiscal stimulus package but also a set of reforms for ease of doing business and ease of availing credit. Elaborate" (सिर्फ राजस्व प्रोत्साहन नही, बल्कि व्यापार और ऋण मे सुगमता भी है।)

2) "😎 ATMANI Economic package is a mix of supply-side and demand-side measures." Justify. (मांग और आपूर्ति दोनों को बढ़ावा देने का मिश्रण है)

3) Discuss in the brief, the significance of the agriculture reforms ushered by 😎 ATMANI package. (आत्मनि* द्वारा कृषि क्षेत्र मे लिए गए सुधारो के महत्व की चर्चा करे।) Similar question for MSME/infrastructure/Banking etc.

4) "Atma Nirbhar Bharat 😎 aims to revive Indian economy by targeting land, labour, liquidity and laws". Illustrate. (जमीन, श्रम, तरलता और कानून मैं सुधार द्वारा अर्थव्यवस्था को पुनर्जीवित करना चाहता है)

5) Suggest reforms in addition to 😎 ATMANI for revival of Indian Economy. (आत्म निर्भर भारत के अलावा और क्या-क्या सुधार करने चाहिए अर्थव्यवस्था को पुनर्जीवित करने के लिए?)

6) Compare and Contrast the ideas of PM Nehru and PM Modi on the India's economic self-reliance. (भारत की आर्थिक निर्भरता के संदर्भ में नेहरू और मोदी के विचारों मैं समानता और भेद पर चर्चा करें.)

62.9.2 ✍️🖌️ Mains Questions → Mock Questions → GDP Growth

1) "Creation of national wealth through ethical means will help us in a long way to achieve SDG." Illustrate. नैतिक तरीकों से राष्ट्रीय धन का निर्माण करने से हमें सतत विकास लक्ष्य हासिल करने में मदद होगी. समझाइए

2) Discuss briefly the challenges associated with achieving the five trillion dollar economy for India by 2025? 5 ट्रिलियन डॉलर अर्थव्यवस्था का लक्ष्य हासिल करने में चुनौतियां

3) "Reducing economic policy uncertainty is critical for both domestic investment and foreign investment." Suggest ways for accomplishing this. घरेलू एवं विदेशी निवेश को बढ़ावा देने के लिए आर्थिक नीति में अनिश्चितता को कम करना जरूरी है

62.9.3 ✍️🖌️ Mains Questions → Previous Years' official Questions

(GSM3) Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments. क्या स्थिर वृद्धि दर तथा कम मुद्रास्फीति ने भारत की अर्थव्यवस्था को अच्छी आकार में रखा है? अपनी दलीलों को कारणों के साथ स्पष्ट कीजिए	2019
(GSM2) 'In the context of neo-liberal paradigm of development planning, multi-level planning is expected to make operations cost effective and remove many implementation blockages.'-Discuss. विकास के लिए आयोजन के नव-उदारवादी प्रतिमान के संदर्भ में, बहु-स्तरीय योजना द्वारा परिचालन लागत को प्रभावी बनाने और कई रुकावटों को दूर करने की उम्मीद है। — चर्चा कीजिए	2019
How are the principles followed by the NITI Aayog different from those followed by the erstwhile Planning Commission in India? नीति आयोग द्वारा अपनाए गए सिद्धांत योजना आयोग से अलग कैसे हैं?	2018

Among several factors for India's potential growth, savings rate is the most effective one. Do you agree? What are the other factors available for growth potential? भारत के विकास दर में बचत दर एक अति महत्वपूर्ण कारक है क्या आप इससे सहमत है?	2017
The nature of economic growth in India in described as jobless growth. Do you agree with this view? Give arguments in favour of your answer. भारत की आर्थिक वृद्धि, "रोजगार-रहित/बेरोजगार युक्त" आर्थिक वृद्धि है.क्या आप इससे सहमत हैं?	2015
Capitalism has guided the world economy to unprecedented prosperity. However, it often encourages shortsightedness and contributes to wide disparities between the rich and the poor. In this light, would it be correct to believe and adopt capitalism driving inclusive growth in India? Discuss. पूंजीवाद ने विश्व अर्थव्यवस्था को अभूतपूर्व समृद्धि के लिए निर्देशित किया है। हालांकि, यह अक्सर अदूरदर्शिता को प्रोत्साहित करता है और अमीर और गरीब के बीच व्यापक असमानताओं में योगदान देता है। इस प्रकाश में, क्या भारत में समावेशी विकास को कियान्वित करने के लिए, पूंजीवाद को अपनाना सही होगा? चर्चा करें?	2014

63 ☺ PILLAR#4C: INDICATORS → INFLATION

⇒ **Inflation** (मुद्रास्फीति) is the rise in the general level of prices of goods and services in an economy over a period of time.

⇒ **Deflation** (मुद्रा अवस्फीति) is inverse of above definition. Deflation occurs when the inflation rate falls below 0%

63.1 ☺ ☑ ◺ : INFLATION OBSERVATIONS BY ▯ ▯ES20 VOL2CH5

⇒ The World bank observed that Inflation has ⬇ across developing nations between (119%) 1993 to 4.8%(2018) because of 1) monetary and fiscal policy 2) structural reforms to raise production.

⇒ However, inflation is ⬆ in 2019 for India.

⇒ Before 2018: CPI (Urban) << CPI (Rural). But since 2018: CPI (Urban) >> Rural due to higher level of food inflation

⇒ 2018-19: Some areas have witness higher level of inflation than all India average. E.g. Lakshadweep Andaman (geographical isolation), Manipur (frequent highway Bandh/blockades), Kerala (floods) etc.

⇒ Rest of the Chapter is mostly bol Bacchan about reason for the price in onion and tomato, and some contrived mathematical models and graphs to downplay the problem of inflation कि कांग्रेस सरकार निकम्मी थी,मोदी सरकार में महंगाई काबू में ही है.

63.2 📱🎴🔲 Thalinomics by 📖📖ES20: Vol1Ch11

Thalinomics is a concept to estimate how much ₹₹ a common person pays for a Thali (platter of food) across India? भोजन एक थाली पर व्यक्ति कितना भुगतान करता है?

⇒ Between 2015 to 2018, the Thali price has reduced: 1) Across all regions of India 2) for both veg and non-veg thalis. पूरे भारत में शाकाहारी और मांसाहारी थाली के मूल्य में गिरावट

⇒ While Thali prices reduced between 2015-18, they have increased in 2019.

⇒ But allover, thali's affordability has increased for poor families. गरीबों के लिए सस्ती / किफायती / वहनीय हुई है

⇒ Consequently, a family of five people is able to save >₹10,000/per year because of reduced prices. पैसों की बचत हुई है

📖📖ES20 appreciated various Modi schemes for 1) increasing food production and 2) making food more affordable. (we've learned those schemes in Pillar#4A)
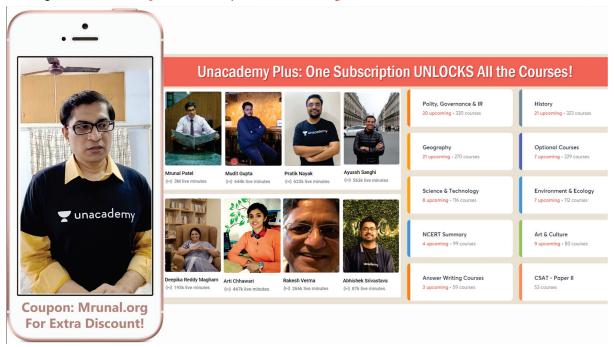
63.3 Mock Questions for Mains → Inflation

(GSM3) Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments. क्या स्थिर वृद्धि दर तथा कम मुद्रास्फीति ने भारत की अर्थव्यवस्था को अच्छी आकार में रखा है? अपनी दलीलों को कारणों के साथ स्पष्ट कीजिए	2019

63.4 Mrunal's Economy Batch Prelims and Mains 2021

⇒ I'm also pleased to announce, my next ONLINE batch for Economy for UPSC CSE-2021 covering both Prelims and Mains topics of Economy.

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