# Gist of Economic Survey 2019-20

## Why in News?

The Economic Survey 2019-20 was released by the Chief Economic Advisor (CEA) Krishnamurthy Subramanian.

## What is Economic Survey?

- It is the Finance Ministry's flagship document that provides detailed information about the Indian economy over the past year.
- It offers glimpses into the current state of the economy, and occasional insights into the economic outlook.
- It's prepared under the CEA's guidance and is presented in both the houses of Parliament before the announcement of the Union Budget.

## What are the key features of 2019-2020 survey?

- The central theme of the first volume of the survey is "Wealth creation".
- It states that to achieve the goal of becoming a $5-trillion economy, the "invisible hand of markets" will need the support of the trust-based ethical practices.
- This means that regulation and rules in the economy should be such that they make it easy to do business but not turn into crony capitalism.
- (Crony Capitalism = an economic system in which family and friends of government officials are given unfair advantages in the form of jobs, loans, etc)
- It makes several policy prescriptions. to ensure smoother functioning of markets as creators of wealth.
- It states that policies must empower transparency and effective enforcement using data and technology to enhance this public good.
- It acknowledged that 2019 was a difficult year for the global economy, including for trade and demand; and by extension a challenging period for the Indian economy as well.
- The stress in the non-bank financial industry and decline in credit growth are also reflected in the Survey.
- Interestingly, the survey recommends a dynamic health index that policymakers can use as an early warning system to avert incipient liquidity crises in this key credit providing sector.

## What is the growth projection?

- The Survey has forecasted that the GDP growth for FY21 will be at 6.0-6.5%
- It concedes that a sharp decline in fixed investment induced by a sluggish growth of real consumption has weighed down growth.
- In forecasting growth rebounding to a 6.0-6.5% range, the CEA reiterates an expectation from his previous survey: given the government's strong mandate, it ought to expedite reforms.
- The National Statistical Office now estimates the growth at 5% for the 12 months ending in March 2020.

## Why the "invisible hand" should be strengthened?

- The Survey states that the invisible hand (market forces) needs to be strengthened by **promoting pro-business policies** to
    1. Provide equal opportunities for new entrants, enable fair competition and ease doing business,
    2. Eliminate policies that unnecessarily undermine markets through government intervention,
    3. Enable trade for job creation, and
    4. Efficiently scale up the banking sector to be proportionate to the size of the Indian economy.

## What does the Survey say about the food policy?

- It uses principles of behavioural economics as instruments of economic policy to have insights about human behaviour.
- It 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.
- It contends that government interventions hurt more than they help.
- So, it recommends scrapping the Essential Commodities Act, 1955 when famines and shortages were the concern.
- Similarly, it asserts that the Drug (Prices Control) Order of 2013 has failed to achieve its aim of making drugs affordable and needs to go.
- The CEA wants a complete review of the policy on food grains, which he argues has made the government the largest hoarder thereby distorting these markets.

## What are the downside risks to next fiscal's outlook?

- Continuing global trade uncertainties.
- Escalation in West Asian geopolitical tensions.
- Slow pace of insolvency resolution and

- The possibility of further fiscal pressure crowding out private investment.
- However, the CEA says that these downside risks take a leap of faith.

**Source: The Hindu, The Indian Express**

