

MAD – 2020

Day – 3

Economy

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Question.

While the Indian economy is in downturn, India is witnessing a surge in the number of billionaires it has. In the light of the above statement, discuss what steps should be taken to ensure sustainable equitable growth of Indian Economy

Answer:

- Not only India, there has been a surge in the number of billionaires across the world. According to a report published earlier this month by the Washington DC-based think tank Institute for Policy Studies and Clearwater, in the US, billionaires have become richer to the tune of \$565 billion since March 18.
- Also, the total wealth for billionaires stood at \$3.5 trillion, up 19 per cent from the low point near the beginning of the pandemic.
- Some important billionaires, whose wealth surged during the pandemic include Amazon chief Jeff Bezos, Facebook founder Mark Zuckerberg, Tesla's Elon Musk, Google founders Sergey Brin and Larry Page, former Microsoft CEO Steve Ballmer, Reliance Industries Ltd (RIL) chief Mukesh Ambani (emerged as the eighth richest man in the world), Vaccine major Serum Institute's Cyrus Poonawalla (his wealth grew the fastest among Indian billionaires and fifth fastest in the world during the COVID-19 pandemic).
- This is during a phase when people across the world are filing for unemployment benefits.

Why this surge in number of billionaires?

- The surge in wealth is being driven by the sharp bounceback of the stock markets.
- Market's movement is also driven by the unprecedented action from the Central Banks.
- Unprecedented use of IT and related infrastructure, online shopping is causing the people related with it to concentrate huge amount of wealth.
- Drug makers and pharmaceutical companies' owners are also reaping big dividends during the pandemic.
- The US Fed's emergency response to the crisis, including cutting interest rates to zero and undertaking to buy unlimited amounts of bond has translated into assets such as stocks, despite being risky investments, seeing fresh demand.
- Investors have been buying equities, with Big Tech companies and those linked to healthcare — Big Pharma and hospital stocks — among the major beneficiaries.

But not all billionaires are benefiting from the Pandemic:

- Forbes magazine reports that a record 1,062 billionaires saw their wealth decline, while 267 of them dropped out of the billionaires list.
- Of the billionaires who remain, 51 percent are poorer than they were last year.
- Luxury brand owners have seen massive decline in their wealth.
- The rising divide between haves and have-nots is already listed as a contributor to the unrest being fueled across the United States. Wealth inequality is likely to get even worse because of this crisis

What could be done for a more equitable, sustainable future:

1. Invest in sustainable infrastructure.
 - At present it's an opportunity to encourage greater sustainability by supporting cleaner technologies.
 - Increase support for renewable energy, that can help spread the benefits to a wider population.
 - Continued investment in supply chains, cold storage facilities will ensure the preservation and timely delivery of agricultural produce and reduce losses to farmers.
 - Encourage long-term change in behaviour.
 - Implement demand-side solutions and long-term behaviour changes for more sustainable development.
 - Encourage conservation in energy through tariff reforms.
 - Promote reuse, recycling and repair models for consumption can reduce the waste generated.
 - Supporting work-from-home policies can drive down road traffic congestion and air pollution.
2. Build the resilience for the most vulnerable.
 - Informally employed and gig economy workers are extremely vulnerable to economic shocks and needs greater access to formal credit and social safety.
 - Employment guarantee, universal basic income can provide vital resources for subsistence.
3. Access to clean water, clean air and primary health care will improve life expectancy and increase economic and physical resilience.
4. Use fiscal mechanisms for recovery and resilience.
 - Fiscal mechanisms can help support recovery and resilience efforts.
 - MSMEs need immediate financing to deal with their wage bills.
 - Aviation and auto industries need support in order to recover.
5. Regulate enabling technologies
 - It is important to ensure data privacy and consumer protection.

A greater focus on green energy transition, building resilient infrastructure and climate-smart agriculture as part of the broader recovery will help achieve energy and food security, and foster long-term economic development while promoting equity, employment, welfare and resilience.