

PYQs - ECO 2

28 October 2021 18:11

Try this out -- job dimension nhi samajh aaye, syllabus k topics pe kholo
 Do this -- wherever export promotion is talked about, quote stolper Samuelson thm
 Poverty is not a choice for the poor people. But their poverty can be a choice for the rich and those in power.

Indian Economics in Pre-Indep Era

- [Economists](#)
- [Agri \(Pre-Lib\)](#)
- [Agri \(Post-Lib\)](#)
- [Industry](#)
- [NEP & Industry](#)
- [NEP & Trade](#)
- [New Exchange Rate Regime](#)
- [NEP & Public Finance](#)
- [NEP & New Monetary System](#)
- [Planning](#)
- [NEP & Employment](#)
- [Income, Distn, Poverty, Inequality, Population, etc](#)

1. Examine the factors that facilitated commercialisation of Indian agriculture during the British rule. (10, 2021)
2. Do you think that the 'new guarantee' system was better than the 'old guarantee' system in the history of Railways in India? Give reasons. (10, 2021)
3. Analyse the relevance of Gadgil formula in reducing horizontal imbalance of fiscal health. (10, 2021)
4. Explain the principal causes of deceleration in industrial growth during the mid-1960s to mid 1970s. (10, 2021)
5. Distinguish between absolute measure and relative measure of poverty. What kind of measure is used in estimating poverty in India. (10, 2021)
6. Compare the main features of development of jute and cotton textile industry in India during the British period. (20, 2021)
7. Analyse the trends in the production of primary goods and capital goods in Indian industries during the pre-liberalisation period. (15, 2021)
8. Critically analyse the performance of public sector enterprises during the pre-reform period. (15, 2021)
9. Do you think that effective land reforms are necessary but not sufficient conditions for raising agricultural productivity in India? Explain your answer. (20, 2021)
10. Examine how the domestic companies are competing with the MNCs in the post-liberalisation era. (15, 2021)
11. Analyse the impact of Green Revolution on agriculture output, employment and income distribution in India. (15, 2021)
12. Do you think that India experienced a major break in GDP growth and its sectoral composition during the 1980s? Give reasons. (20, 2021)
13. Examine the relative role of demand side factors in determining national income in India. (15, 2021)
14. Do you think that non-income dimensions should be treated as complementary to income dimension in measuring poverty in India? Give reasons. (15, 2021)
15. Examine the arguments to explain the theory of 'economic drain' from India in the second half of the 19th C. (10, 2021)
16. Analyse the effectiveness of the major commitments of AoA of the Uruguay Round of WTO on Indian agriculture. (10, 2021)
17. Analyse the new initiatives taken by the GoI to boost food processing sector. (10, 2021)
18. Discuss the strategies adopted by the RBI to promote financial inclusion in India. (10, 2021)
19. Evaluate the role of MGNREGA in asset creation and poverty alleviation. (10, 2021)
20. What are the major components of public expenditure on agriculture in India? Would you recommend any changes in the pattern of public expenditure on agriculture to stimulate agricultural growth? (20, 2021)
21. Analyse the significance of planning in the context of market based development in India. (15, 2021)
22. Examine the procurement policy of the GoI in the post-liberalisation period and its impact on agri prices. (15, 2021)
23. Analyse the sectoral flows of FDI in India during the post-liberalisation period. (20, 2021)
24. Critically discuss the strategies formulated by the GoI to increase private sector participation in public enterprises. (15, 2021)
25. Critically analyse the recommendations of the 12th FC on fiscal federalism. (15, 2021)
26. Define capital account convertibility. Examine Tarapore Committee (I and II) recommendations on capital account convertibility of rupee. (20, 2021)
27. Analyse the effects of TRIPS Agreement on Indian Agriculture. (15, 2021)
28. How does the New Economic Policy change the structure of employment in India? Evaluate. (15, 2021)

Indian Economics in Pre-Indep Era:

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc																									
Land System, Changes		Daniel Thorner - low K intensity + antiquated methods -> built in depressor operated in rural areas -- zamindari																												
1. Assess the impact of land tenure system adopted by the British on the peasants and productivity of Indian agriculture. (10,2020)	<p>Intro:</p> <ul style="list-style-type: none"> - 1841: 60% of revenue came from land - 3 distinct land tenure systems were adopted by British - Permanent Settlement, Ryotwari system, Mahalwari system <p>Conclusion</p> <ul style="list-style-type: none"> - Peasants got tied into the dynamics of contractual laws - Productivity varied across regions w/ different land tenure systems 	<table border="1"> <tr> <td>Region</td> <td>Permanent settlement (57%) Bengal, Bihar, Odisha</td> <td>Ryotwari system (38%) Madras, Bombay</td> <td>Mahalwari system (5%) Agra, Awadh, Punjab</td> </tr> <tr> <td>Pt of contact</td> <td>Zamindar - sole proprietor</td> <td>Individual holdings</td> <td>Villages/ section (mahal)</td> </tr> <tr> <td>Revenue collection</td> <td>No assessment, payment fixed in perpetuity</td> <td>Assessment based on land fertility <50% of net produce</td> <td>Assessment based on rental value Payment by co-sharers</td> </tr> <tr> <td>Arbitration</td> <td>Failure to pay -> auction of rights</td> <td>Cultivator free to surrender holdings</td> <td>Enquiry through rent courts</td> </tr> <tr> <td>Impact on peasants</td> <td>High burden of revenue demand Coercion by zamindars</td> <td>Largely ill-organised assessment ~25% of produce Tenants-at-will during price rise</td> <td>Peasants got rid of intermediaries Burden of revenue -> forced sales</td> </tr> </table> <p>Impact on productivity</p> <ul style="list-style-type: none"> - Moneylenders & traders who acquired landholdings had little incentive to improve fertility & acreage - George Blyn (1966) findings for 1891-92 to 1946-47 - decline in total per capita production by 0.72% p.a. <table border="1"> <tr> <td>Region</td> <td>Avg gr rate of yield</td> <td>Major land tenure system</td> </tr> <tr> <td>Bengal</td> <td>-0.3</td> <td>Permanent S</td> </tr> </table>	Region	Permanent settlement (57%) Bengal, Bihar, Odisha	Ryotwari system (38%) Madras, Bombay	Mahalwari system (5%) Agra, Awadh, Punjab	Pt of contact	Zamindar - sole proprietor	Individual holdings	Villages/ section (mahal)	Revenue collection	No assessment, payment fixed in perpetuity	Assessment based on land fertility <50% of net produce	Assessment based on rental value Payment by co-sharers	Arbitration	Failure to pay -> auction of rights	Cultivator free to surrender holdings	Enquiry through rent courts	Impact on peasants	High burden of revenue demand Coercion by zamindars	Largely ill-organised assessment ~25% of produce Tenants-at-will during price rise	Peasants got rid of intermediaries Burden of revenue -> forced sales	Region	Avg gr rate of yield	Major land tenure system	Bengal	-0.3	Permanent S	<p>Abhiisee - Map showing distn</p> <p>Banerjee & Lakshminarayana on far reaching impact & - Better infra availability (canals, wells, ...) in Ryotwari areas - Much lower HYV adoption in erstwhile Zamindari areas post</p>	
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<p>2. What were the broad consideration underlying the different types of land settlement in India during the colonial rule? Discuss. (15,2017)</p>	<p><u>Intro:</u></p> <p>- 3 major land tenure systems in India under British - Zamindari, Ryotwari, Mahalwari</p> <p>- 1850 - 60% of revenue from land</p> <p><u>Conclusion</u></p> <p>- Diff land tenure systems -> slightly different ground level impact</p> <p>- Overall trend of poverty + disincentive to capitalist farming overall -> underdevelopment of agri in all regions</p>	<p><u>Predecessor systems</u></p> <p>- (revenue farming) etc</p> <p><u>Factors affecting choice of land tenure system</u></p> <p>- Ideology of administrators</p> <p>- Previous experiences w/in and w/o the region</p> <p>- Political considerations</p> <p>- Historical structure of agri in the region</p> <p>- Date of conquest</p> <p><u>Specific considerations:</u></p> <p><u>Zamindari (Permanent Settlement)</u></p> <p>- Date: 1793 - Bengal, Bihar, Odisha</p> <p>- Cornwallis</p> <p>- Context: uncertainty + failure of revenue farming system</p> <p>- Features: permanent rents fixed</p> <p>- Politics: Zamindars already dominant power centres in the region</p> <p>- Info asymmetry: Brits didn't have access to info on local conditions</p> <p>- Consequences -- 'tenant'isation of tillers</p> <p><u>Ryotwari</u></p> <p>- Date: 1820: Madras; 1835: Bombay</p> <p>- Munro & Reed</p> <p>- Context: disillusionment w/ Zamindars in Bengal</p> <p>- Feature: revision of tax contracts every 30 yrs</p> <p>- Direct revenue collection from ryots</p> <p>- Politics: middle tier already weak in these regions</p> <ul style="list-style-type: none"> • Characteristic further changed after Ryotwari -- some became cultivators (S India), others permanently weakened (W India) <p><u>Mahalwari</u></p> <p>- 1822 - Gangetic plains</p> <p>- History - traditionally communal ownership of land</p> <p>- Politics: Taluqdars owned large estates + dominant in the region</p> <p>- Feature: adhoc system of revenue rates</p> <p>- Politics: parts like Awadh changed into Zamindari after 1857 revolt (for support)</p>																				
<p>3. Land system during the British period was responsible for sustained poverty in India and stagnant growth of Indian economy. Discuss. (10,2014)</p>	<p><u>Intro:</u></p> <p>- Important agenda during Brit rule</p> <ul style="list-style-type: none"> • Reform of land tenure system • Clarify ownership • Increase revenue for state <p><u>Conclusion</u></p> <p>- Discouraged capitalist farming, productivity gains</p> <p>- Prevented forward linkages into agro processing</p> <p>-> underdvpment & sustained poverty</p>	<p><u>Impacts</u></p> <p>- Land became tradeable commodity</p> <ul style="list-style-type: none"> • Price, rents increased <p>- New class of landlords emerged</p> <ul style="list-style-type: none"> • Lacked incentive to invest • => technological backwardness of agri persisted <p>- Absentee landlords</p> <ul style="list-style-type: none"> • Monetary rents -> mushrooming of moneylenders • High interest rates -> reduced investible surplus <p>- Shift to cash crops</p> <ul style="list-style-type: none"> • 85% increase in o/p 1890-1947 • Greater frequency of famines • General food insecurity <p>- Hindered growth of capitalist farming</p> <ul style="list-style-type: none"> • Small landholdings under tenancy • Lack of investment • Lack of credit support from govt -- 93% serviced by moneylenders in 1954 <p>- Legal recognition of commons led to enclosures</p> <ul style="list-style-type: none"> • Disempowerment of communities • Disturbed traditional mixed farming practices dependent on commons <p>- Decline of Panchayati raj & governance</p> <ul style="list-style-type: none"> • Disincentive to agri investment <p>Abhijeet Banerjee & Lakshmi Iyengar</p> <ul style="list-style-type: none"> • Noted persistent effects in income inequality & adoption of modern tech even in post indep India <p>- Excessive revenue demand + multiple tiers of unproductive agents</p> <ul style="list-style-type: none"> • Peasants didn't have any surplus -- no investment, debt burden, malnutrition, zero human dvpment opportunities <p>- Productivity decline - George Blyn study: 0.72% p.a. Growth rate --</p>																				

<p>4. Examine the features of permanent land settlement as introduced by Lord Cornwallis. (15,2018)</p>	<p><u>Intro:</u> - Cornwallis Guv General - 1785-93 - Modelled Permanent Settlement after European estate holders</p> <p><u>Conclusion</u> - Stagnant revenue for company - Simmering discontent - => provision of periodic revisions in Ryotwari system</p>	<p>very low</p> <p><u>Aim:</u> - stability & security of land revenue - Weaken old elite - Not allow new aristocracy to gain foothold</p> <p><u>Features:</u> - Zamindars had absolute ownership rights - Z had extensive power on setting of rent - Revenue demands set in perpetuity - 10/11th of revenue went to British govt, rest for maintenance of Zamindari - Auctioning of Zamindari on failure to pay taxes punctually</p> <p><u>Rationale:</u> - Secure property rights -> induce investment - Easier to collect rents in aggregate from Zamindar - Ensure loyalty of elite</p> <p><u>Impact on institutional structures:</u> - Emergence of a new class of landed aristocrats - Absentee landlordism <ul style="list-style-type: none"> • Uninterested in removing peasants from land • Exerted control through lending, credit - Uncertainty of tenure - Lack of incentives for investment in land & infrastructure - Tillers became tenants - Excessive tax burden on peasants - Subleasing => multiple tiers of unproductive classes - Statistical blackholes -> no data on productivity, investment, etc - Impoverishment of artisans -> increase in agri popn -> decline in bargaining power, real incomes - Disruption of traditional patron - client reln (Jajmani) -- acted as insurance against calamity - Agri stagnation (Blyn - 0.72% p.a. Growth rate)</p>	<p>- Map of zamindari areas - Schemata of zamindari: - Company ↓ zamindar ↓↓↓↓ cultivators</p>																		
<p>Commercialisation of Agriculture</p>																					
<p>1. Account for the commercialisation of Indian agriculture during the second half of the 19th C and analyse its effects. (10,2019)</p>	<p><u>Intro:</u> - Commercialisation = production occurs mainly for distant markets, whether domestic or int'l rather than for domestic consumption (Tirthankar Roy)</p> <p><u>Conclusion</u> - Net impact negative on farmers</p>	<p><u>Factors:</u> - Monetisation of land revenue - Industrialisation in England -- increased dd for raw material - Increasing area under cultivation, irrigation - Development of modern transport, esp railways - Colonial subjugation -> shift of production to suit British interests - American Civil War in 1860s -> cotton demand diverted to India - Closer integration of domestic & global markets w/ improvement of sea transport</p> <p><u>Impact</u></p> <table border="1" data-bbox="539 1122 1023 1541"> <thead> <tr> <th>Impact</th> <th>Analysis</th> </tr> </thead> <tbody> <tr> <td>(+) Increase in gross cropped area b/w 1870-1920</td> <td></td> </tr> <tr> <td>Shift to cash crops decline in food crop production @1.14% p.a.</td> <td>Increasing frequency of famines (85% rise)</td> </tr> <tr> <td>Transport networks for produce to reach markets</td> <td>Decreased intensity but increased geographical extent of famines</td> </tr> <tr> <td>Rise of rentier landlords</td> <td>Low agri productivity</td> </tr> <tr> <td>High debt level of farmers</td> <td>Forced evictions</td> </tr> <tr> <td>Increase in wage labour, migrant labour employment</td> <td>Decline in real wages in rural area</td> </tr> <tr> <td>(+) Regional specialisation of crop production</td> <td>Economies of scale More income earned</td> </tr> <tr> <td>Linking of agri w/ global markets</td> <td>Domestic shocks amplified/ condition destabilised by int'l conditions</td> </tr> </tbody> </table>	Impact	Analysis	(+) Increase in gross cropped area b/w 1870-1920		Shift to cash crops decline in food crop production @1.14% p.a.	Increasing frequency of famines (85% rise)	Transport networks for produce to reach markets	Decreased intensity but increased geographical extent of famines	Rise of rentier landlords	Low agri productivity	High debt level of farmers	Forced evictions	Increase in wage labour, migrant labour employment	Decline in real wages in rural area	(+) Regional specialisation of crop production	Economies of scale More income earned	Linking of agri w/ global markets	Domestic shocks amplified/ condition destabilised by int'l conditions	
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<p>2. Discuss the process of 'forced commercialization' of agriculture under colonial rule. (20,2009)</p>	<p><u>Intro:</u> - Commercialisation = shift in production to cater to distant markets -- domestic or international -- rather than for local consumption</p> <p><u>Conclusion</u> - Only partially forced agri commercialisation during Brit rule - Extent of gains for peasants -- matter of dispute - Agri commercialisation an urgent need in the 21st century for export growth, doubling farmers' income</p>	<p><u>Underlying factors/ processes in 19th C commercialisation of agri</u> - Land reforms -- land became tradeable <ul style="list-style-type: none"> • Increase in rent, taxes, prices - Monetisation of tax payments instead of traditional in-kind tax payments - Disconnect b/w revenue assessment calendar & harvest cycle -> forced monetisation - Monetisation -> production for sale in markets -> expansion of cash crop cultivation - Faster + cheaper modes of transport (railways, restored roads) -- reduced spoilage, significantly saved on transport costs - Increased competitiveness of agri products in export mkts - Offer of interest free advances for production of cash crops -- indigo, opium - American Civil War 1860s -- spike in dd of Indian cotton - Integration due to opening of Suez canal & cheaper shipping</p> <p>Tirthankar Roy & Irfan Habib argue that the process was NOT completely forced and also spurred to an extent by rational considerations: - Interest free advances -> reduced dependence on moneylender for credit - Higher productivity growth rates in cash crops - Meagre income from subsistence crops -- income support from cash crop cultivation - Abundance of sales in open markets -> not all produce captured by moneylender</p>																			

<p>3. Critically examine condition of agricultural and rural economy during the pre-independence era. (15,2016)</p>	<p><u>Intro:</u> -Pre-indep era conditions shaped by British policies, based on growing influence of market forces, domination of British commercial interests - 'nature of agrarian relations'</p> <p><u>Conclusion</u> - Upsetting of traditional complex agrarian relationships - Increased inequity in the system</p>	<p>- Broad association observed b/w regions <u>producing cash crops + experiencing output growth + higher standard of living</u></p> <p><u>State of Affairs</u> - Agri <ul style="list-style-type: none"> • Employed >75% of workforce • Contributed >50% of income • Major source of export earnings • Faced vagaries of monsoon </p> <p>- Traditional rural economy <ul style="list-style-type: none"> • Self sufficient villages • Jajmani system • Lok Panchayat based on customs & traditions • Community ownership </p> <p><u>British policies</u> - New land tenure systems - Zamindari, Ryotwari, Mahalwari - Irrigation works -- restoration of canals, making embankments - Linkage w/ global economy -- export of raw materials - Transportation through railways network - Alternative employment opportunities created in later years -- large scale industry, mines, plantations</p> <p><u>Conditions arising from these policies</u> <u>Agriculture</u> - Sivasubramaniam - avg agri growth only ~0.3% p.a. In 50 years before independence - Rise of rentier landlord class - Commercialisation of agri <ul style="list-style-type: none"> • 85% rise in cash crop production (1850-1947) - Food scarcity due to 7% decline in food grain production - Increased population pressure on land <ul style="list-style-type: none"> • 1911-1941 -- popn growth higher than agri growth - Below subsistence agriculture - Oppression of peasants due to Zamindari system - Rural distress - 93% agri credit financed by money lenders</p> <p><u>Traditional rural economy</u> - Deindustrialisation of rural economy - Peasantisation of pastoralists due to change in laws governing forests & village commons - 45% population landless in British India - Import of machine made goods -> peasantisation of artisans - Low investments in capital accumulation - Disguised unemployment</p>	
<p>Deindustrialisation/ Underdevelopment</p>		<p><u>Agri production</u> - Became market oriented -> commercialisation dominated by non-food cash crops - 1893-1946 -- 0.37% p.a. Output expansion -- productivity remained stagnant (George Blyn, 1966) - Inequitable distribution --> frequent food scarcity</p> <p><u>Land revenue systems</u> - Ryotwari & Mahalwari gave more security to peasants than permanent settlement - Irregular assessments -> frequent transfer of holding to moneylenders & traders</p> <p><u>Rural indebtedness & power dynamics</u> - New judicial system -> increased hold of moneylenders over debtors - Provision of irrigation facilities & canals improved productivity as well as value of land, raising revenue dd - Decline of village ownership & proliferation of new class of landed aristocracy resulted in frequent riots & protests</p>	
<p>1. Analyse the effects of colonialism on de-industrialisation in India during the 18th C. (15,2020) [kafi generic rn, do value addn here]</p>	<p><u>Intro:</u> - Deindustrialisation - movement of labour out of manufacturing (secondary sector) and into agriculture & allied activities (primary sector) - It thus represents a process of primitivisation of economy.</p> <p><u>Conclusion</u> - /</p>	<p>- Impact of colonialism worked through several channels to cause deindustrialisation in 18th C India</p> <p>- Domestic factors <ul style="list-style-type: none"> • Lack of political stability due to weakening of Mughals • Rise of new warlords (Marathas, Jats, etc) that didn't have effective economic administration </p> <p>- Colonial factors <ul style="list-style-type: none"> • Productivity gains in British textile mfg • Integration of global mks • Colonising tendency of traders </p> <p>- Ground conditions: <ul style="list-style-type: none"> • Increasing dd for raw materials - cotton, indigo, etc • Declining demand for finished textiles • Mercantilist attitudes aided by grant of Diwani rights (1765) which considerably slowed down bullion inflow • Connectivity through Suez -- flooding of Indian markets w/ cheap mill made textiles </p> <p>- Impacts <ul style="list-style-type: none"> • Pauperisation of peasantry • Increased pressure on land • Drain of wealth -- both internal & external • Decline in traditional industry </p>	
<p>2. Explain the underlying causes and effects of deindustrialisation in India during the 19th C. (15,2019)</p>	<p><u>Intro:</u> - De-industrialisation is the process of shift of labour from secondary sectors (manufacturing, processing) to primary sectors (agri, mining).</p>	<p><u>Causes of de-industrialisation in 19th C India</u> - Myrdal's propositions <ul style="list-style-type: none"> • Caste, superstitions, monsoon failure, superstition, lack of punctuality, poor work discipline - Industrial revolution in England -> competition w/ machine made goods - Trade tariff policy of British <ul style="list-style-type: none"> • 80% tariff on textiles </p>	

	<p><u>Conclusion</u></p> <p>-Deindustrialisation in 19th C India -- driven by global, domestic factors both</p> <p>-Reversal w/ enhanced opportunities in the inter-war period</p>	<ul style="list-style-type: none"> • 1820: virtually closed off European mkts for Indian exporters <p>-Structural factors (Morris D Morris)</p> <ul style="list-style-type: none"> • Lack of domestic markets for consumption goods • Resistance to technical change • Scarce human capital • Dispersed nature of rural mfg • Caste hierarchy in mfg professions, low ascribed status <p>-Decline of guilds, replaced by contractual agreements b/w Indian merchants & European agents</p> <p>-European mkt dictated tastes & preferences of products, resulting in decline of workmanship</p> <p>-Factory system - division of labour, economies of scale, large dd for raw materials, could not be met by local sources</p> <p>-Lack of technological development & scarce capital resources</p> <p>-MP, FP under British hands -> prevented retaliation by Indian economy in self defence</p> <p><u>Impact of deindustrialisation</u></p> <p>-Structural shift to agriculture</p> <table border="1" data-bbox="580 495 919 551"> <thead> <tr> <th></th> <th>1850s</th> <th>1881</th> <th>1901</th> <th>1931</th> </tr> </thead> <tbody> <tr> <td>Share of agri</td> <td>51%</td> <td>61%</td> <td>68%</td> <td>72%</td> </tr> </tbody> </table> <p>-Employment - halved in industries b/w 1881 (18%) and 1931 (9%)</p> <p>-Increase in educated unemp & underemp -- modern industry employed <5% of workforce (Krishnamurthy, 1950)</p> <p>-Population pressure on land -- non-agri workforce transferred to agri & allied activities</p> <p>-Lack of agri devpmt & industrial K induced coercive moneylending</p> <ul style="list-style-type: none"> • 93% agri credit financed by moneylenders <p>-Pauperisation of peasantry</p> <p>-Change in <u>direction</u> and <u>composition</u> of world trade</p> <ul style="list-style-type: none"> • 1st half of 19th C: semi-processed goods exported; • 2nd half: almost complete shift to raw materials <p>-India's share in world trade fell from 20% (1800) to 2% (1900)</p> <p>-Adverse ToT => immiserising growth</p> <p>-Most affected areas -</p> <ul style="list-style-type: none"> • Intermediate goods due to collapse of forward linkages • Tools, consumer goods for poor <p>-SSIs survived side by side w/ modern/ large industries; lack of state support & fillip due to Swadeshi</p> <p>-Forced commercialisation of agri created a pattern of immiserising growth</p>		1850s	1881	1901	1931	Share of agri	51%	61%	68%	72%	
	1850s	1881	1901	1931									
Share of agri	51%	61%	68%	72%									
<p>3. 'British rule led to India's underdevelopment'. Do you agree? Give reasons in support of your answer. (20,2018)</p>	<p>Intro:</p> <p>-Various nationalist and economics scholar accused British rule for India's underdevelopment. For large extent it is true.</p> <p><u>Conclusion</u></p> <p>-Industrial revolution in Britain and hence its rapid development came at the expense of underdevelopment of its colonies.</p> <p>-Thus it can be said that it was in interest of Britisher to keep India underdeveloped.</p>	<p><u>Land Revenue System</u></p> <p>-British land revenue system devastated Indian agriculture.</p> <p>-It heavily oppressed peasant.</p> <p>-The Zamindari system was major cause of poverty and distress in rural area.</p> <p><u>Drain of wealth</u></p> <p>-Dadabhai Naoroji in 1867 gave drain of wealth theory which state that Britain is draining wealth of India and it is main reason for poverty in India.</p> <p>-Habib's estimates show that size of the drain in 1897 was as large as Rs. 22.5 crore.</p> <p>-Drain constituted major obstacle in industrialization of India.</p> <p><u>Industrial Policy</u></p> <p>-British followed a systematic policy of deindustrializing India. It was deliberate attempt to increase British export.</p> <p>-Railway was said to be developed for industrialization of India. But in reality Railway developed more to Britain than India. All forward and backward linkages of railway development went to Britain. It also increased export of raw material and import of manufactured goods.</p> <p><u>Trade policy</u></p> <p>-No inward tariffs for UK mfg goods</p> <p>-High tariffs, other restrictions for exporting to Britain</p> <p>-Till 1918 there were little trade barriers. There was no protection to Indian industries from cheap import.</p> <p><u>Monetary Policy</u></p> <p>-Deliberate overvaluation of Indian Rupee</p> <p>-Negative impact on export competitiveness of Indian industries</p> <p>-Britain benefitted through capture of export market</p>											
<p>4. Do you think that the attitude of the British govt towards the Indian economy changed <u>markedly</u> at the turn of the 19th C? Give specific instances supporting your argument. (15,2017)</p>	<p><u>Intro:</u></p> <p>-Mercantile -> colonial</p> <p>-Beginning of EIC as territorial power after grant of Diwani rights in 1765</p> <p><u>Conclusion</u></p> <p>-Attitudes didn't change all of a sudden as impulses of protecting commercial interest had always been there</p> <p>-Intensity increased at turn of 19th C, emboldened by victory over regional powers -- Mysore, Sikhs, Marathas</p>	<p>-British govt in London gradually adjusted their attitudes towards governance of EIC & its possession in India</p> <p>-Adam Smith's Classical Economics became dominant school of thought, replacing Mercantilism.</p> <p>-Industrial Revolution in Britain started around early-mid 18th C</p> <p>-<u>Legislation</u></p> <ul style="list-style-type: none"> • Gradual increase of London's control from Regulating Act of 1773 to Imposition of Crown Rule in 1858 <p>-<u>Charters</u></p> <ul style="list-style-type: none"> • Gradual restriction of monopoly rights • Complete abolition in 1833 <p>-<u>Land reforms/ tenure system</u></p> <ul style="list-style-type: none"> • Phase of experimentation & consolidation rather than kneejerk changes • Zamindari in 1793, Ryotwari in 1820 <p>-<u>Composition of trade</u></p> <ul style="list-style-type: none"> • Shift away from cotton textile to raw cotton, opium, tea exports • Greater import of British machine made goods after large scale mechanisation in late 18th C <p>-<u>Currency policy</u></p> <ul style="list-style-type: none"> • Move towards uniform currency began in 1790s <p>-<u>Public goods</u></p>											

		<ul style="list-style-type: none"> • Policing of roads -- began to secure commercial interests of company; against pindaris, thugs • Law & justice - estb of SC under 1773 Act, codification of Hindu & Muslim laws; Cornwallis Code for judiciary • Canals/ embankments -- estb control over peasants; restoration of old water systems 		
		<p>Before 18th century India was one of the leading manufacturer in the world. India's global trade share was around 20%. British were exporting Indian goods to Britain and Europe. However in the end of 18th century industrial revolution started in Britain. It markedly changed attitude of British government towards India.</p> <p>After the Industrial Revolution, British interest increasingly started moving away from the prevailing mercantilist ideology, and move towards propounding 'free trade' values. This amounted to a rejection of the mercantilist diktat of using colonies as useful adjuncts, and there would be no need to forcibly alter economic policies of colonies. In practice, this amounted to Imperialism of Free Trade, as England was to gain greatly if other countries lifted all their tariffs on British imports; <u>force was not ruled out</u> to secure this state of affairs.</p> <p>Through the Charter act of 1813 and 1833 British abolished monopoly of East India Company. And after 1858 this policy was further forcefully imposed. Until World War 1, trade between India and Britain was effectively free of tariffs. This served the exporters of British manufacturers, such as the Lancashire mill owners. As a result India bought 25% of British textile exports in 1850.</p> <p>As a result the composition of exports changed in favour of peasant exports. At the same time, the increment in capital base was very limited in India. This led to de- industrialization of India. This changed attitude pushed India towards underdevelopment.</p>		
Same ans for end of 19th C; prev was for beginning of 19th C	<ul style="list-style-type: none"> - During 2nd half of 19th C -- British attitude dominated by Laissez Faire - Post WW1 - Britain tried to balance trade through imperial preferences - Change in attitude was shaped by changing economic positions across the world 	<ul style="list-style-type: none"> - Economic developments leading to change in attitude towards indirect protection of Indian economy <ul style="list-style-type: none"> • 1870s - 90s -- long depression - British industrial crisis • Expansion of industrialisation in Europe, East Asia - Change in attitude evident in <ul style="list-style-type: none"> • Creation of Dept of Commerce & Industry to look after industrial, commercial interests -- included post & telegraph, mines, factories, ports, railways • Expansion of Railways under Curzon (1899-1905) • Creation of Railway Board - 1905 • Switch to Gold Std (1898), Indian Coinage & paper Currency Act (1899) to keep rupee-sterling exchange rate stable • Increased govt ownership in public works to keep check on revenue & expenditure -- nationalisation of railways (1924) • Moncrieff Irrigation Commission (1901) stressed on protective irrigation works • Rise in import duties on cotton goods, disregarding Lancashire lobby • Indian Mines Act (1901) to regulate working conditions in mines 		
5. During the British rule, India was rooted with seeds of modernisation, but the country remained underdeveloped. Discuss. (15,2015)	<p>Intro: - ___</p> <p>Conclusion - Seeds of modernisation failed to flourish on Indian soil, prevented from doing so by unfavourable commercial-political conditions.</p>	<p><u>Seeds of modernisation</u></p> <ul style="list-style-type: none"> • Philosophy: Emphasis on science, reason, rationality • Economy: private property, division of labour, free market • State: formal judiciary, institutionalised police <p><u>Manifestations</u></p> <ul style="list-style-type: none"> - Industrialisation - <ul style="list-style-type: none"> o large scale mfg ➢ Limited share in GDP (7.5% in 1947) & employment (2% in 1947) ➢ Underdeveloped core sectors -- capital goods, modern banking and insurance ➢ Dependence on foreign capital, technicians, mgmt ➢ High regional concentration -> inequity - Railways <ul style="list-style-type: none"> o Introduced in 1840s, significantly reduced transport costs, <ul style="list-style-type: none"> ▪ Habib: ~9% of national income in savings o Linked domestic & int'l markets ➢ Adverse tariff structure for inland transport ➢ Lack of backward linkages -- capital, finance mgmt, all imported from Britain ➢ Huge drain on wealth -- subsidies, Old Guarantee Scheme - Post & telegraph <ul style="list-style-type: none"> o Aided administration ➢ Limited utilisation by natives - Education <ul style="list-style-type: none"> o Establishment, regulation, quality monitoring of Universities o Western education - sciences, mathematics, etc ➢ Neglect of mass education, in vernacular ➢ Limited foray into technical edu (ARI @Pusa, Bihar) ➢ Curbs to stem their role as breeding grounds for nationalist ideas ➢ Mainly aimed at producing people skilled for lowly administrative clerks - Modern warfare <ul style="list-style-type: none"> o Intro of lightweight guns, transportable on cavalry ➢ Limited focus on development of new material locally -> low expansion ➢ Reduction of domestic warfare due to Brit policies (ring fence, subsidiary alliance) <p>- Reasons for underdevelopment: - British Policies</p> <ul style="list-style-type: none"> • Land tenure systems -- disregard for traditional peasant rights • Rise of moneylenders & landlords less interested in agri 		

		<p>development</p> <ul style="list-style-type: none"> Forced commercialisation of agri Deindustrialisation Low per capita income due to above 2 Increased money drain due to influx of silver -- frequent bankruptcies Absence of welfare objective in infrastructure development Council Bill system -> drain of wealth -> low capital formation -> immiserising growth <p>- Peculiarities of Indian society</p> <ul style="list-style-type: none"> self-sufficient villages based on transactions in kind Military fiscalism in pre-colonial era, little revenue for public works Small-scale units unable to compete with large-scale industries Inequitable distribution of income, absence of thrift => low purchasing power Lack of access & opportunities to modern institutions & info for hinterlands 		
Drain Theory				
1. Examine the theory of 'Economic Drain' in the second half of the 19th C in India and discuss its economic effects. (15, 2019)	<p>Intro:</p> <ul style="list-style-type: none"> Conceptualised by Dadabhai Naoroji in book 'Poverty and Un-British rule in India' <p>Conclusion</p> <ul style="list-style-type: none"> Exposed the 'basic exploitative character' of British rule Major setback to belief in 'providential mission' of British in India RC Dutt - 'economic drain sucked the moisture out of Indian soil and precipitated over English soil as fertilising rain' 	<p>- Economic drain theory</p> <ul style="list-style-type: none"> Portion of the national income is not available for domestic capital formation and doesn't bring any adequate economic return either. Dimensions -- external and internal <p>- External drain</p> <ul style="list-style-type: none"> Cross-border drain of wealth & capital to England Major constituents -- <ul style="list-style-type: none"> Home charges - salaries, pensions, remittances Interest and profits on private foreign capital - eg. Old Guarantee Principle Banking, insurance and shipping charges Mechanism - via council bills, sterling bills Estimates: <ul style="list-style-type: none"> CN Vakil - £390 mn - £590mn b/w 1834-1924 Irfan Habib - 2% of national income (1897) Naoroji (Welby Commission, 1895) - forms ~50% of govt revenue; ~33% of savings RC Dutt (1901) - £22mn p.a. (1901) <p>- Internal drain</p> <ul style="list-style-type: none"> Contingent effect of external drain High taxation, oppressive levies, moneylender nexus, distress gold <p>- Economic effects</p> <ul style="list-style-type: none"> Potential 'investible surplus' didn't materialise -> Retarded domestic capital formation Industrialisation didn't occur Vicious cycle of loans, interests spilled over to other sectors Benign industrial growth, agri development Stagnant per capita income, aggregate employment Moral drain -- decline in human capital, loss of skilled nobility, talent & intellect Declining share in world trade - 23% (18th C) => 3% (1947) Return of drained wealth as foreign capital -> British monopolies -> dividends drained back to UK <p>- Proposed solutions by nationalists</p> <ul style="list-style-type: none"> Indianisation of services Reduction of home charges Checking increasing import of foreign capital 		
2. What is drain theory? How does it explain the backwardness of India in the 19th C? (20, 2017)	<p>Intro:</p> <p>Conclusion</p>			
3. Write on 'Drain Theory' as developed by Dadabhai Naoroji. How does it explain sustained poverty during the British Rule in India? (10, 2013)	<p>Intro:</p> <p>Conclusion</p>			
Laissez Faire - Theory & Critique/ Trade policy				
1. Examine how the laissez faire policy was responsible for the famine in the late 19th C India. (10, 2020)	<p>Intro:</p> <ul style="list-style-type: none"> Laissez Faire meant reliance on market forces. Culmination of Classical economics 20 major famines b/w 1860-1900 wrt famines -> meant govt non-interference in relief works. <p>Conclusion</p> <ul style="list-style-type: none"> Contributed to famines Changed nature from 'purchasing power famines' to 'scarcity famines' >5mn perished in worst famine from 1896-1900 Myth of self-regulating market kept govt away 	<p><u>Elements of Laissez Faire Policy</u></p> <ul style="list-style-type: none"> Economic transactions left to private actors in free market. Price adjustment mechanism would allocate food & resources more efficiently State intervention would disturb the self-regulating mechanism; thus should be restricted to transport & security Temporary public projects in exchange for labour <p><u>Exacerbated the incidence & intensity of famine as:</u></p> <ul style="list-style-type: none"> Unrestricted exports -> lack of access & entitlements to poor despite robust agri productivity Exports mainly of raw products rather than finished goods Lack of price control, food distribution, rationing pushed millions into extreme insecurity during Great Famine (1876-78) Strachey Commission (1880) under Lytton <ul style="list-style-type: none"> upheld trust in private trade Burden of famine relief on local govts Worsening condition of labour & livestock -> decline in agri employment, wages Diversion of resources to war efforts in Afghanistan (1878), East Asia (1885-86) -- little pre-emptive measures during ordinary times 		

	<p>from genuine humanitarian efforts in dealing w/ famines</p>	<ul style="list-style-type: none"> - Conversion of India into unprotected consumer market - Commercialisation of agri -> commercial crops at expense of food crops -> food scarcity - Limited expansion of capital base - De-industrialisation -> inverted export structure -> increased popn pressure on land <p><u>Other factors:</u></p> <ul style="list-style-type: none"> - Railways -> transport of surplus -> worsening of 																																								
<p>2. Do you agree with the view that the objective of industrial and commercial policies of British was to transform India as a complementary economy of England? Give reasons. (10,2018)</p>	<p>Intro:</p> <ul style="list-style-type: none"> - Yes, British industrial, commercial policies guided to maintain trade surplus w/ India & offset deficit w/ RoW <p>Conclusion</p> <ul style="list-style-type: none"> - Indian economy transformed into a major supplier of raw materials, captive market for British capital and manufactured goods. - India - crown jewel among British colonies -- yet left to tarnish in order to make Britain shine brighter 	<ul style="list-style-type: none"> - Industrial policies <ul style="list-style-type: none"> • Railways, tea, coal industries dominated by British private capital inflow -> backwash effect of industrialisation • Construction of railway lines primarily to ease logistical burden • Didn't let forward & backward linkages to materialise • Cultivation of opium tightly controlled for balancing trade w/ China • Post abolition of slavery, use of indentured labour from India for plantations in British colonies • Indian Emigration Act 1859 -- secured steady supply of labour • Neglect of core industries • Low investment on capacity building - Commercial policies <ul style="list-style-type: none"> • Council bill system facilitated transfer of interest & home charges -- drain of potential investible surplus • Preferential tariff policies (1878-95) -- reduced import duties primarily to solve British industrial crisis • Exported cotton goods from India re-exported to RoW -> discriminatory protection to British • Slow devaluation of Indian silver rupee + transition to gold standard (1898) to maintain exchange rate favourable to Britain • Imperial Preference Treaty (1921) -> discriminatory protection against global competition - Britain effectively became 'most favoured nation' - Fiscal, monetary policy <ul style="list-style-type: none"> • Aim: stabilise exchange rate favourable for British interests • Drain of wealth • Gold exchange std -- favourable for £ + reduced uncertainty 	=																																							
<p>3. What specific trade policies during the British period led to the decline of Indian industry? Explain. (10,2015)</p>	<p>Intro:</p> <ul style="list-style-type: none"> - British trade policies in India determined by dominant political-economy philosophies <p>Conclusion</p> <ul style="list-style-type: none"> - Overall impact: <ul style="list-style-type: none"> - de-industrialisation, - pauperisation of artisans & peasants, - disincentive to capital accumulation - Lopsided industrial growth pattern 	<p><u>Mercantilism (until early 19th C)</u></p> <table border="1"> <thead> <tr> <th>Policy chars</th> <th>Role in decline</th> </tr> </thead> <tbody> <tr> <td>Higher customs duty on foreign ships vis-a-vis English</td> <td>Reduced chances of diversification</td> </tr> <tr> <td>Outflow of bullion from India; restricted inflow</td> <td></td> </tr> <tr> <td>Heavy taxation on artisans & Agriculturalists</td> <td>Low investible surplus</td> </tr> <tr> <td>IR in UK -> dd slump for finished goods + sharp rise in raw material dd</td> <td>Primitivisation of economy</td> </tr> <tr> <td>Opium & tea production to balance 3-way trade b/w India, China, UK</td> <td></td> </tr> <tr> <td>Charter Act of 1813 & 1833</td> <td>Enhanced volume of trade, changing composition & Direction of imports & exports</td> </tr> </tbody> </table> <p><u>Laissez Faire (mid 19th to early 20th C)</u></p> <table border="1"> <thead> <tr> <th>Policy chars</th> <th>Role in decline</th> </tr> </thead> <tbody> <tr> <td>One way free trade -- no import duties</td> <td>Flooding of market w/ cheap imports -> uncompetitive domestic industries</td> </tr> <tr> <td>Heavy export duties</td> <td>Effective closure of foreign mkts for diversification</td> </tr> <tr> <td>Commercialisation of agri</td> <td>Food crop production suffered -> famines -> higher import burden ; decreased labour productivity</td> </tr> <tr> <td>Govt apathy to domestic capitalists</td> <td>Stunted growth</td> </tr> <tr> <td>Old Guarantee System</td> <td>Increased debt obligations -> low investment by govt locally</td> </tr> <tr> <td>Council Bills</td> <td>Increased drain for potential surplus -> reduced capital formation in aid of industries</td> </tr> </tbody> </table> <p><u>Policy of Discriminating protection (interwar period)</u></p> <table border="1"> <thead> <tr> <th>Policy chars</th> <th>Role in decline</th> </tr> </thead> <tbody> <tr> <td>Differential protection to Indian industries, based on artificial conditions</td> <td>Distortion of HO based competitive advantages</td> </tr> <tr> <td>Overvalued rupee</td> <td>Decrease in export competitiveness; costly import of raw materials</td> </tr> <tr> <td>Imperial Preference Treaty</td> <td>Distorted pattern of comparative advantage</td> </tr> <tr> <td>MFN status for Britain</td> <td>Industrial expansion in India indirectly tied to British trade position</td> </tr> </tbody> </table>	Policy chars	Role in decline	Higher customs duty on foreign ships vis-a-vis English	Reduced chances of diversification	Outflow of bullion from India; restricted inflow		Heavy taxation on artisans & Agriculturalists	Low investible surplus	IR in UK -> dd slump for finished goods + sharp rise in raw material dd	Primitivisation of economy	Opium & tea production to balance 3-way trade b/w India, China, UK		Charter Act of 1813 & 1833	Enhanced volume of trade, changing composition & Direction of imports & exports	Policy chars	Role in decline	One way free trade -- no import duties	Flooding of market w/ cheap imports -> uncompetitive domestic industries	Heavy export duties	Effective closure of foreign mkts for diversification	Commercialisation of agri	Food crop production suffered -> famines -> higher import burden ; decreased labour productivity	Govt apathy to domestic capitalists	Stunted growth	Old Guarantee System	Increased debt obligations -> low investment by govt locally	Council Bills	Increased drain for potential surplus -> reduced capital formation in aid of industries	Policy chars	Role in decline	Differential protection to Indian industries, based on artificial conditions	Distortion of HO based competitive advantages	Overvalued rupee	Decrease in export competitiveness; costly import of raw materials	Imperial Preference Treaty	Distorted pattern of comparative advantage	MFN status for Britain	Industrial expansion in India indirectly tied to British trade position		
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<p>4. Discuss policy of Discriminating Protection and its impact on Indian industrial development during the British period. (15,2011)</p> <p>a. □ What were the economic consequences of discriminating protection in the trade policy during the British regime? (10,2016)</p> <p>b. □ Write about the policy of discriminating protection during the British rule and its impact on industrial development in India. (10,2014)</p>	<p>Intro:</p> <ul style="list-style-type: none"> - Policy of Discriminating Protection -> recommended by 1921 Fiscal Commission - Response to critique of Laissez Faire by Indian nationalist + reward India for war efforts + safeguard British BoP <p>Conclusion</p> <ul style="list-style-type: none"> - Resulted in lopsided dypmt of industrial sector in India <p>- Mfg growth at 5.6% b/w 1920 and 1938</p>	<p><u>Features</u></p> <ul style="list-style-type: none"> - Conditions laid for protection <ul style="list-style-type: none"> o Industry must possess natural advantage -- coal, ore o Must be such that unable to develop w/o protection o Must have potential to thrive w/o protection eventually o (~infant industry argument conditions) - Discriminatory nature <ul style="list-style-type: none"> o No general protection to Indian industry ==> discrimination among industries having natural advantage o Protection denied to industries in direct competition w/ Britain; eg. Cement, chemicals, locomotives o Protection extended to industries competing w/ Britain's rivals <ul style="list-style-type: none"> ▪ Match (Sweden), Textiles (China, Japan), steel (Belgium) o Tariff zero or minimal to grant Britain MFN status - Backed by Imperial Preference Treaty 1921 - Continued overvaluation of ₹ <p><u>Gains for industrial dypment</u></p> <ul style="list-style-type: none"> - Broadened industrial based -- diversification to sugar, paper, iron & steel - Output expansion of iron&steel, cotton textile, sugar due to favourable import duties - Mfg growth rate at 5.6% in interwar period - Helped Indian industries tide through Global Depression & resultant dd slump - Emergence on native industrialists - Tata, Birla - Diversification of trade partners - eg expansion of trade w/ East Asia - Growth of new townships & urbanisation catering to industries <p><u>Limitations</u></p> <ul style="list-style-type: none"> - RC Dutt - it only paved way for recapturing of Indian market from rivals by Britain - Limited gains because almost total import dependence on Britain - Artificial considerations for protection limited forward & backward linkages => fragmented dypment - Lack of technological advancement -> cheap, inferior quality of o/p - Threat of competition remained despite high protection - Imposed burden on consumer - Protected industries restricted to produce cheaper & inferior quality products 									
<p>Mfg & Transport: Jute, Cotton, Railways</p>											
<p>1. Evaluate the development of the transport system in India during 1857 to 1947. (15, 2020)</p>	<p>Intro:</p> <ul style="list-style-type: none"> - Transportation system in British India can be broadly categorised as - <ul style="list-style-type: none"> • Land transport -- railways, roads • Water navigation -- inland, ports <p>Conclusion</p> <ul style="list-style-type: none"> - Modern transport while aiding national integration and nationalist movements were also major contributors to economic backwardness - Diverse views among nationalists <ul style="list-style-type: none"> • Naoroji - drain • VKRV Rao - 	<p><u>Railways</u></p> <ul style="list-style-type: none"> - Received max emphasis under colonial administration - Started under Lord Mayo - 1840s • - 4 broad phases (add more in each of these) <table border="1" data-bbox="598 1086 869 1220"> <tr> <td>1849-69</td> <td>- Private ownership - Old Guarantee System</td> </tr> <tr> <td>1870-80</td> <td>Increasing role of state</td> </tr> <tr> <td>1881-1924</td> <td>Dualistic system</td> </tr> <tr> <td>1924-47</td> <td>State ownership & control</td> </tr> </table> <p><u>Roads</u></p> <p>(+)</p> <ul style="list-style-type: none"> - Greater economy in long distance travel <p>(-)</p> <ul style="list-style-type: none"> - Severely underfunded, undeveloped - Unpopular due to huge rate differentials in long & short distance <p><u>Inland water navigation</u></p> <p>(+)</p> <ul style="list-style-type: none"> - More economical than railways around Assam tea gardens <p>(-)</p> <ul style="list-style-type: none"> - Limited to Gangetic plains - Mostly underdeveloped <p><u>Ports</u></p> <p>(+)</p> <ul style="list-style-type: none"> - Significant attention in WWI, interwar years <p>(-)</p> <ul style="list-style-type: none"> - Largely neglected in late 19th C - Lack of modernisation - Issue of siltation, etc <p><u>Evaluation of development process</u></p> <ul style="list-style-type: none"> - Mainly to serve Brit needs - Export promotion through transport - Didn't generate backward linkages -- because raw material, capital mostly imported from UK - High burden on Indian exchequer -- use of inefficient production technology - Indians not allowed to invest in projects -- heavy revenue outflow to UK due to Old Guarantee system - Not much of forward linkages -- transport not laid down to take advantage of India's comparative advantage <p><u>Evaluation of impact</u> (does NOT address dd of Q)</p> <p>(+)</p> <ul style="list-style-type: none"> - Modern transport -- countryside connected to urban centres, export markets - Linkage assisted concentration of industries -- increased productivity, spurred migration - Aided disaster mgmt -- reduced intensity of famines <p>(-)</p> <ul style="list-style-type: none"> - Promoted commercialisation of agriculture 	1849-69	- Private ownership - Old Guarantee System	1870-80	Increasing role of state	1881-1924	Dualistic system	1924-47	State ownership & control	
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		<ul style="list-style-type: none"> - Increase in contagion -> famines became 'all-India' events - Close integration w/ global markets -> inflationary/ deflationary episodes NOT in sync w/ domestic conditions - Deindustrialisation of traditional crafts industry - Other than railways, various modes had limited outreach and hence limited impact on Brit Indian economy 		
2. Do you agree that the development of Indian railways during the British Rule helped <u>facilitate</u> the process of industrialisation? Give reasons. (10,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Spillover effects of Railways as a public good - Muffled the process of industrialisation in India due to overwhelming influence of British pvt commercial & political interests <p><u>Conclusion</u></p> <ul style="list-style-type: none"> - Aggravated de-industrialisation instead of promotion of industry 	<p><u>Promotional role</u></p> <ul style="list-style-type: none"> - Stimulated forward linkages - Significant reduction in transport costs -> integration of commodity mkts <p><u>Inhibitory role</u></p> <ul style="list-style-type: none"> - Absence of welfare objective resulted in uneven expansion -> catered less to demands of Indian industries - Did not 'take off' Indian economy due to absence of forward & backward linkages for domestic industries - On i/p side, enormous dd for iron, steel, coal met by British imports rather than domestic resources - 1865-1941: only 500 engines mfg in India v/s 12,000 imported - Coal dds in Bombay met by Dirham instead of Bengal -- seemingly on different continents - Cost reduction, increased trade flow advantages offset by increased competition, absence of protection - Marginal local employment in construction works despite growing state ownership, nationalisation in 1924 - Differential freight rates for benefit of British interests at the cost of domestic public resources - Shift in production patterns - Dominance of cash crops - Differential tariffs favourable for exports; didn't allow dividend for domestic transport of raw materials 	<ul style="list-style-type: none"> - Forward linkages: transport of raw materials, finished goods - Backward linkages - engg, capital, raw material 	
		<p>The Railways expanded rapidly after its introduction in 1858 and soon became one of the largest railway networks in the world. Karl Marx wrote that this would facilitate industrialisation in the Indian subcontinent.</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> - Food prices fell due to specialisation - Cotton and jute could be transported more easily – boosting industry in Bombay - Steel industry in 20th century got encouragement due to easy transport of coal (but still most of the coal was imported) - Labour movement eased – supply of labour made available <p><u>Drawbacks</u></p> <ul style="list-style-type: none"> - Most of the investment in railways happened from abroad - Locomotive production and other backward linkages might have spurred industrialisation but most of the goods were imported - European exports had easier access to Indian market <ul style="list-style-type: none"> o Railways was strategically placed towards this objective - Frequent droughts due to commercialisation of agriculture prompted by Railways <p>Despite its potential Railways could not become a vehicle for industrialisation in India as it had in other countries due to discriminatory colonial policies.</p>		
3. Trace the development of the cotton textile industry in India during the British period. Discuss the major <u>problems</u> faced by the industry in <u>different stages</u> of its growth during this period. (20,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Early 19th C - marked by decline in export of muslin & calico due to Napoleonic wars, competition from Lancashire <p><u>Conclusion</u></p> <ul style="list-style-type: none"> - _ 	<p><u>Before 1850s</u></p> <ul style="list-style-type: none"> - European entrepreneurial activities towards modern cotton textile industry induced by: <ul style="list-style-type: none"> • (+) avblity of raw cotton • (+) low wages • (+) vast Indian labour, commodity markets - However, financially unviable attempts - (-) lost royal patronage - (-) high import of raw cotton from India -- led to starvation of Indian industry for raw material <p><u>1850s- 1880s</u></p> <ul style="list-style-type: none"> - Swift expansion in this period - (+) American Civil War - 1861-65 -- dd expansion - (+) Opening of Suez Canal - 1859 - (+) devaluation of Rupee as world shifted to Gold std in 1870s - (+) rapid expansion of railways - (+) industry viability due to info networks - (-) lack of K goods, skilled labour - (-) price fluctuation due to US Civil War <p><u>1882-1914</u></p> <ul style="list-style-type: none"> - Difficult stage in pre-war years - (-) elimination of import duties - (-) imposition of countervailing export duties - ^^ above 2 due to Lancashire lobby == tariff manipulation - (-) capture of Chinese mkt by Japan/ competition fm J - (-) Calico Ban - (-) exchange rate instability -> disincentivised innovation - (-) lack of innovation - (+) diversification in cloth production + specialisation in cheap grey cloth - (+) continuous devaluation of rupee <p><u>1914 - 1940s Interwar period</u></p> <ul style="list-style-type: none"> - (+) increased dd due to war - (+) increased weaving, spinning of yarn, possibly at expense of SSIs - (+) indirect protection by British for new centres at Ahmedabad, Sholapur, Madras <ul style="list-style-type: none"> • Cotton Textile Industry Protection Act (1930) -- increased duty from 11 to 15% - further increased by Tariff Board to 75% (1933) • Indo-British Trade Agreement (1939) -- calibrated import duties & guaranteed quota restrictions 		

		<ul style="list-style-type: none"> - (-) external competition intensified - (-) steeper domestic competition - (-) industrial unrest caused due to desire of industrialists to save on labour costs - (-) decline in purchasing capacity - (-) loss of cost advantage <p><u>Overall challenges</u></p> <ul style="list-style-type: none"> - Competition w/ British mill made cloth - finer, cheaper - Capture of imp mkt by Japan - Asymmetric duty imposition due to Lancashire lobby - Limited possibilities of external economies of scale - Absence of significant backward, forward linkages - Domestic competition - Price inflation of raw cotton during US Civil War benefitted intermediaries, not peasants. However, subsequent slump hit cultivators. 										
4. What were the considerations underlying the initiation of the railways and road transport system in India in the 19th C? (10,2017)	<p>Intro: - ___</p> <p>Conclusion - ___</p>											
5. Explain how Railways played in important role in unifying the people of India during pre-Independence period. (15,2016)	<p>Intro: - Introduced in India in 1853 -- primarily for commercial, political considerations of British - Public good -- emerged as a force for integration, independence & democracy</p> <p>Conclusion - Thus, railways led to multifaceted unification of the country</p>	<ul style="list-style-type: none"> - British considerations <ul style="list-style-type: none"> • Aid in economic development • Enlarge market for British goods • Source of raw materials • Strategic -- aid defence capability at frontiers - Economic integration <ul style="list-style-type: none"> • Reduced transport costs -- fragmented distant markets came to be connected • Rapid expansion of market size -- by 1914 - Railways covered 75% of total land area • Decline in regional price volatility • Enhanced price discovery, demand projections for traders • Dramatic narrowing of regional price differentials -- both exportable and non-export food grains • Rise of modern industry -- connectivity w/ areas producing raw material & markets - Social integration <ul style="list-style-type: none"> • Encouraged long distance domestic travel <table border="1"> <thead> <tr> <th>(Habib)</th> <th>1880</th> <th>1930</th> <th>1947</th> </tr> </thead> <tbody> <tr> <td>Passenger km/ capita</td> <td>18</td> <td>108</td> <td>164</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Economic integration -> similarity of nationwide experiences -> base for united critique of colonial rule • Increased flow of diverse ideas, cuisine, cultural norms & shared understanding • Smoother migration for work & other social purposes -- enhanced intermingling of culture & religion • Enhanced integration aided discovering commonalities, while respecting uniqueness - Strategic integration <ul style="list-style-type: none"> • Frontier regions linked to heartland for military & strategic considerations - Political integration <ul style="list-style-type: none"> • Spread of nationalist ideas even to NWFP (Khudai Khidmatgars) • Widened reach of leaders involved in freedom struggle • Socio-economic movements emerging in one part awakened aspirations in other parts of the country • Enhanced movement of literature, media & other symbols of nationalism • People from distant regions, groups able to coalesce into political organisation • Faster mail delivery -- aided deliberation, discussions 	(Habib)	1880	1930	1947	Passenger km/ capita	18	108	164		
(Habib)	1880	1930	1947									
Passenger km/ capita	18	108	164									
6. How did railways contribute to India's economic development in the pre-Independence era? (10,2015)	<p>Intro: - ___</p> <p>Conclusion - ___</p>											
7. Examine the problems faced by jute mills in India during the early years of their existence. (15,2018)	<p>Intro: - Rapid dd expansion in 19th C, during WW1 -- due to rising commodity trade</p> <p>Conclusion - ___</p>	<ul style="list-style-type: none"> - Features <ul style="list-style-type: none"> • Initially Bengal jute processed in Britain & Germany • Establishment of mills in India began in 1855 • Rapid expansion of mills from 1870 onwards -- 5 (1870) to 64 (1914) • Mainly export oriented industry • Mechanisation destroyed domestic jute handlooms • European dominated - Favourable factors <ul style="list-style-type: none"> • Tech dvpment in jute processing • Cheap substitute for Russian flax & hemp • Crimean War (1854) -- accelerated dd - Issues faced <ul style="list-style-type: none"> • Initially, problems of unstable condition and low growth; only 5 mills b/w 1855-1870 • In Bengal - lack of modernised roads & villages • Skilled human resources had to be imported from Britain • After WW1 boom, significantly slower dd growth in interwar years (1919-39) • High prices attracted entry of domestic entrepreneurs --> increased competition • Unsuccessful cartelisation attempts by British capitalists • Main issue of overproduction arose • Low investible surplus -> tech stagnation 										

		<ul style="list-style-type: none"> • Competition from Dundee based mills <ul style="list-style-type: none"> ◦ Virtual monopoly till 1870s • Export oriented -> downturn in global dd/ world trade -> excess unutilised capacity • Largely imported capital goods • Costly factors of production - capital, fuel, domestic transport • Little incentive to innovate • Lack of access to credit & mktg facilities <p>-Measures</p> <ul style="list-style-type: none"> • Higher efficiency -- cheap labour, raw materials, low tax • Indian Jute Mills Asso 1884 -- keep check on o/p ~cartel 													
8. How was the Jute industry affected after partition? What remedial measures were taken to arrest its decline? (20,2012)	<p>Intro:</p> <ul style="list-style-type: none"> -80% of Jte producing areas went to East Pak -95% Jute mills stayed with India -Disintegration <p>Conclusion</p> <ul style="list-style-type: none"> -Decline from the position of a virtual monopoly esp during WW2 to fledgling industry at partition -Sustained through infra & credit support 	<p>-Issues faced by Jute Industry in India</p> <ul style="list-style-type: none"> • Scarcity of raw material -> viability issue • Outflow of British K -> outdated mills; scarcity of investment • Low capital base of machinery • Backward technology • Devaluation of pound & ₹ -> increased costs of importing raw material • Stiff competition from Bangladesh & Brazil <ul style="list-style-type: none"> ◦ 10% export subsidy in Bangladesh • Decline of external dd - due to switch to alternative/ cheaper packaging materials globally • Wage rate linkage w/ productivity -- resistance by labour unions • Competition w/ rice & foodgrains wrt expansion of crop area <p>-Remedial measures</p> <ul style="list-style-type: none"> • Jute Manufacturers Development Council in 1980s <ul style="list-style-type: none"> ◦ Later merged with National Jute Board (2008) • Encouraging jute plantations in W Bengal, Assam • Curbs on cross border jute smuggling w/ B'desh • TUF Tech Upgradation Fund Scheme extended to Jute • Credit subsidy to encourage jute entrepreneurs • Announcement of MSP for jute -- by CACP • Grants-in-aid (Art 273) for Jute producing states • 1987 - Mandatory Jute Packaging Act • Jute included under various schemes for MSMEs; under KVIC • Jute technology missions <p>-Benefits</p> <ul style="list-style-type: none"> • Tech upgradation ->increased o/p, yield, acreage • ___ 													
9. Write a brief note on the state of manufacturing in India in the 18th C and the subsequent de-industrialisation. (10,2017)	<p>Intro:</p> <p>___</p> <p>Conclusion</p> <p>___</p>														
10. Discuss the manufacturing conditions that prevailed during pre-independence period. Do you feel that the private sector didn't come forward for investment due to fear of nationalisation? Give reasons. (20,2016)	<p>Intro:</p> <ul style="list-style-type: none"> -At arrival -- primarily small-scale, traditional cottage industries <p>Conclusion</p> <ul style="list-style-type: none"> -Private sector underdeveloped compared to counterparts in USA, Europe -Disincentive more in the nature of unwelcome policies than fear of nationalisation though 	<p><u>State of affairs</u></p> <p>-Factors of production</p> <ul style="list-style-type: none"> • Abundance of cheap labour -> delayed mechanisation • Availability of raw material in favour of cotton, jute, iron & steel industries • Mainly export oriented • Import of capital, capital goods • Costly fuel & domestic transport • Expansion via greater use of labour rather than shift in technique • Shortage of credit -- underdeveloped finance & insurance sectors • Lack of investment -- disincentivised by lopsided policies (Laissez Faire, Discriminating Protection, Overvalued rupee) <ul style="list-style-type: none"> ◦ Technological backwardness <p>-Scale composition</p> <ul style="list-style-type: none"> • Higher productivity in SSIs (Sivasubramaniam) • Absence of core industries <ul style="list-style-type: none"> ◦ Underdeveloped capital goods sector -- India imported ~ 90% of machinery needs in 1950 <p>-Composition of output</p> <ul style="list-style-type: none"> • (diagram on right) <p>-Govt policy, administration</p> <ul style="list-style-type: none"> • Expenditure mainly on costly surveys, estimates & dd projection • Apathy towards domestic K • No new training centres for skilling • Absence of K mobilising institutions <ul style="list-style-type: none"> ◦ Deposit Bureaux (Japan), European agency houses <p>-Labour factor</p> <ul style="list-style-type: none"> • Deindustrialised workforce <table border="1"> <thead> <tr> <th>(Bagchi)</th> <th>Share in employment</th> </tr> </thead> <tbody> <tr> <td>1800</td> <td>15-18%</td> </tr> <tr> <td>1900</td> <td>10%</td> </tr> <tr> <td>1951</td> <td>9%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Growth of employment in large industries at 4% p.a. (1860-1940) • Led by textiles (60% of mfg output in 1950) <ul style="list-style-type: none"> ◦ Followed w/ wide margin by engg goods (8.4%) and steel (7.6%) • Primarily male dominated; participation of women shifted to SSIs • Labour absenteeism due to poor working conditions <p><u>Underdevelopment NOT due to fear of nationalisation</u></p> <ul style="list-style-type: none"> -Railways developed mostly by private participation; gradual nationalisation by 1924 -- only after expiration of original contracts -Interwar period: gradual Indianisation of capital <table border="1"> <tbody> <tr> <td>1913</td> <td>60% British owned</td> </tr> <tr> <td>1914</td> <td>60% Indian owned</td> </tr> </tbody> </table>	(Bagchi)	Share in employment	1800	15-18%	1900	10%	1951	9%	1913	60% British owned	1914	60% Indian owned	<p>Changing composition of mfg o/p ^</p>
(Bagchi)	Share in employment														
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		<ul style="list-style-type: none"> -Disincentives due to lack of forward & backward linkages, lopsided policies <ul style="list-style-type: none"> • Discriminatory protection -- denied to cement, heavy industries • Laissez faire -- distorted tariff structure • Overvalued rupee -- uneconomical • Distortionary railway tariffs -- prohibitive costs of internal transportation -Bombay Plan itself called for active role of state! -Discussions on nationalisation, socialist model began much later in India <p><u>Actual reasons preventing private investments to come forward</u></p> <ul style="list-style-type: none"> -Availability of cheap labour -- substitute for K inv -Low & stagnant per capita income -> low savings -> low investment -Larger proportion of savings accrued to moneylenders, landlords -- low propensity to save, invest -Inadequate banking services to channelise small savings into productive use -Appreciation of land value acted as promising alternative for certainty in returns 		
Money & Credit				
1. Examine how the currency policy of the British affected the growth of monetisation in the Indian economy during 19th C. (20,2020)	<p>Intro:</p> <ul style="list-style-type: none"> -No uniform currency in Indian subcontinent at advent of British <ul style="list-style-type: none"> • Weakened Mughals • Local chieftains declared independence <p>Conclusion</p> <ul style="list-style-type: none"> -Currency policy of Brits in 19th C increased monetisation through both monetary channel (direct impacts) and real channel (indirect impacts) -Fluctuating policies, disfavoured rupee led to sharp criticism from nationalists (MG Ranade, Dadabhai Naoroji), culminating in the Ratio controversy during WW1. 	<p><u>Currency policy of British:</u></p> <ul style="list-style-type: none"> -Standardisation of silver rupee by British in late 18th C; initially coexisted w/ other currencies -Diwani Rights (1765) + mercantilism -> decline in import of silver + deflationary trend -Currency Act 1835: demonetisation of gold coins; silver rupee made sole legal tender in British India <ul style="list-style-type: none"> • -> liquidity crisis in money mkt (gold demonetisation) • Rising demand for silver for non-monetary uses -Growing trade volumes -> currency famines -Paper Currency Act, 1861 -> abolished presidency notes; unified paper currency under govt control -Rising export trade + collection of taxes in cash -> availability of rupee overwhelmed, both silver & paper -Gold silver exchange: <ul style="list-style-type: none"> • Tremendous fall in value of silver vis-a-vis gold during 1873-98 (discovery of new mines) • -> rise in sterling obligations of the govt • -> 'loss by exchange' for British Capital • -> huge influx of depreciated silver -> heavy coinage -Consequences of silver depreciations <ul style="list-style-type: none"> • Artificial appreciation of land value • General rise in domestic price level • Rise in circulation of cash -Switch to Gold Exchange Standard in India in 1893 <p><u>Direct Impact on monetisation</u></p> <ul style="list-style-type: none"> -Increased monetisation -Monetised tax instead of in-kind collections -Tax was NOT in sync w/ harvest cycles -> increased dependence on cash payments -Deflationary pressure on rupee -> expanded adoption of cash based payments <p><u>Indirect impacts</u></p> <ul style="list-style-type: none"> -Commercialisation of agri -- shift to cash crops -Deindustrialisation -> artisans shifted to agri <ul style="list-style-type: none"> • Collapse of Jajmani system -> basis of barter in rural economy -Emergence of moneylenders due to new land tenure, taxation systems 		
2. How did Gold Bullion Standard end with 'ratio controversy' in British India? (10,2018)	<p>Intro:</p> <ul style="list-style-type: none"> - <p>Conclusion</p> <ul style="list-style-type: none"> - 	<ul style="list-style-type: none"> -Gold Bullion Std <ul style="list-style-type: none"> • monetary authorities agreed to sell gold bullion on demand in exchange for circulating currency at a fixed price. • Main objective: maintain parity of ₹ with gold -Ratio controversy (1927-39) <ul style="list-style-type: none"> • Until 1916 - ₹-£ exchange rate appeared to be at natural stable rate of 1s4d (£1 = ₹15) • Post WWI rise (1918) & fall (1920-21) -> difficult to keep exchange rates stable • Hilton Young Commission (1926) -- suggested fixing at 1s6d (£1 = ₹13.33) • Higher exchange rate appeared to be unfair for indebted Indian peasants & industries • Devaluation of rupee from 1s6d to 1s4d also among Gandhi's 11 demands to Lord Irwin (1930) -Problems of Gold Bullion Standard (1927-31) <ul style="list-style-type: none"> • Pros: security, elasticity, public confidence, resilience to fluctuations • -- didn't last long though • Great Depression -> steep fall in agri prices • Britain -- turned creditor to debtor -- overall deficit in Indian trade -> increased interest obligations in terms of rupee • Britain, USA & several other ctries went off gold std -> appreciation of gold -> selling of distress gold <p>-----</p> <ul style="list-style-type: none"> -Background <ul style="list-style-type: none"> • Estb of silver backed Indian rupee currency in 1835 by colonial govt • Rapid expansion in silver supply -> inflation risk -> abolition of free coinage • Adoption of Gold Exchange Standard in 1898 • Continued till 1916; modified in 1925 		<ul style="list-style-type: none"> -Bg: -Colonial govt estd a silver based currency in 1835 -Increased ss of silver after 1875 -> inflation risk -> abolition of free coinage -India adopted Gold Exchange standard

		<ul style="list-style-type: none"> - Gold exchange Standard <ul style="list-style-type: none"> • Rupee convertible against sterling • Sterling convertible against gold (Gold standard) • Rupee itself not convertible against gold - Strong demand for rupee to be on gold standard rather than gold exchange std; intensified in interwar years -- this is ratio currency - Britain resisted b'cos <ul style="list-style-type: none"> • Could destabilise exchange rates • Uncertainty in value of remittances • Unserviceable external debt obligations - Thus, India tried to fight 1930s Great Depression w/ monetary contraction; consequences -- <ul style="list-style-type: none"> • Increased real interest obligations & rents • Transfer of assets from debtors to creditors • Rural unrest • Flow of distress gold - Failed to achieve goal of supporting India's ToT, balance of BoP - 1935 -- formation of RBI - beginning of decoupling of MP, BoP -> Gold Exchange Std ended w/ ratio controversy 		
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Vakil, Gadgil, VKRV Rao

Question	Intro/conclusion	Body	Data/reports	Graphs	Misc-Linkage w/ Paper 1, etc																					
Highlight the main contributions of CN Vakil to Indian planning as opposed to that of the Mahalanobis model at the time of the formulation of the Second Five Year Plan for India. (10,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - CN Vakil & PR Brahmananda - 1956 book - 'Planning for an Expanding Economy' - Wage-Goods model as an alternative to Mahalanobis plan <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - MP failed to achieve stated gr objectives of (gr rates here) during 2nd, 3rd FYP - ++ spike in inflation - WG model could have provided a suitable alternative more in line w/ domestic conditions 	<p><u>Points of differences</u></p> <table border="1"> <tr> <td>Prices</td> <td>WG Price stability central objective</td> <td>NMP Inflationary</td> </tr> <tr> <td>C & I</td> <td>Complementarity</td> <td>Substitutes -- conflicting reln</td> </tr> <tr> <td>Growth path</td> <td>CLG</td> <td>Import substitution strategy</td> </tr> <tr> <td>Wage goods vs K goods</td> <td>WG contributes to K goods</td> <td>WG would compromise K goods sector</td> </tr> <tr> <td>Feedback</td> <td>Positive feedback mechanism w/ sustainable gr path</td> <td>No such discussion</td> </tr> <tr> <td>Unemployment</td> <td>(esp disguised) arose due to wage-goods gap</td> <td>Due to deficient capital stock</td> </tr> <tr> <td>Forced savings</td> <td>Required to fill the wage-goods gap</td> <td>Savings mainly dependent on deficit financing -> inflationary</td> </tr> </table> <p><u>Critique</u></p> <ul style="list-style-type: none"> - Underestimates significance of capital goods - Ignores TFP total factor productivity - Ignores forward & backward linkages, role of infrastructure - Limited capital stock, inefficient machinery during post indep would have made production costly & inefficient - Tech improvements would have made the model redundant - eg Green Revolution - Limited short term gains would have created difficulties in diversification, external dependence 	Prices	WG Price stability central objective	NMP Inflationary	C & I	Complementarity	Substitutes -- conflicting reln	Growth path	CLG	Import substitution strategy	Wage goods vs K goods	WG contributes to K goods	WG would compromise K goods sector	Feedback	Positive feedback mechanism w/ sustainable gr path	No such discussion	Unemployment	(esp disguised) arose due to wage-goods gap	Due to deficient capital stock	Forced savings	Required to fill the wage-goods gap	Savings mainly dependent on deficit financing -> inflationary		<pre> graph TD CS[Capital Stock ↑] --> WGP[Wage Goods Production ↑] WGP --> EMP[Employment ↑] EMP --> INC[Income ↑] INC --> INV[Investment ↑] INV --> CS </pre>	
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Discuss the Wage-goods model of development as given by CN Vakil and PR Brahmananda. (15,2016) OR Throw light on wage-goods model of C. N. Vakil and P. R. Brahmanand. (15,2011)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Wage Goods Model in 1956 book 'Planning for an Expanding Economy' - Wage Goods Model - Response to Mahalanobis Model (basis of 2nd FYP) <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Presents a self sustained model of growth - doesn't depend on large scale deficit financing - Avoids inflationary pressures (major drawback of NMP) - Approach towards unemployment still relevant -- translated into SSIs, MSMEs, agro-processing 	<p><u>Model</u></p> <ul style="list-style-type: none"> - WG = exclusively comprised of food + basic necessity items in rural areas - Essential for converting disguised unemp into a labour force - WG gap exists due to deficient production capacity for the same - Forced savings - equal to wage goods gap was reqd to solve unemployment - Notionally: <pre> graph TD WGP[↑ in Wage Goods Production] --> LE[Labour Employment] LE --> IS[Income Surplus] IS --> INV[Investment] INV --> WGP subgraph Expansion WGP LE IS INV end </pre> <ul style="list-style-type: none"> - Encompasses synergy b/w wage goods and heavy industry <ul style="list-style-type: none"> • (add arrow to K goods industry from increase in capital stock, like in figure above) <p><u>Appraisal</u></p> <ul style="list-style-type: none"> - Low K/L ratio reqd -> faster growth for given capital base - Doesn't require dependence on foreign import - Implicit social welfare function -- emphasis on fast redn of unemp - Addresses both open, disguised unemp <p><u>Critique</u></p> <ul style="list-style-type: none"> - Underestimates importance of K stock - Ignores TFP - Wage good surplus will NOT suffice for K import - Fails to account for forward & backward linkages, infra dypment 																								
"A close connection between the <u>finance</u> on the hand, and <u>politics and administration</u> on the other land, and the <u>influence of the latter</u> on the former cannot be avoided. This is all	<p><u>Intro:</u></p> <p>---</p> <p><u>Conclusion:</u></p> <p>---</p> <p>Components of finance --</p> <ul style="list-style-type: none"> - Budget 	<p><u>Connection b/w finance and politics</u></p> <p>---</p> <p><u>Connection b/w finance and administration</u></p> <p>---</p> <p><u>Influence of politics on finance</u></p> <p>---</p>																								

<p>the more true in India." Do you agree with this statement of C. N. Vakil? Is it relevant even today? (25,2013)</p>	<p>- PC/ FC grants - Federalism - Consolidation - Policy measures -- populism vs prudence</p>	<p><u>Influence of administration on finance</u> - <u>Avoidable/ unavoidable?</u> - <u>Relevance today</u> -</p>											
<p>Do you think that pursuit of wage-goods model could have been more appropriate for post-independence strategy of development? Give reasons. (15,2015)</p>	<p><u>Intro</u> - By CN Vakil & PR Brahmananda - Alternative to 2nd FYP/ NMP in 1955 <u>Conclusion</u> - Wage goods model remains untested in India - (probably don't use this ->) Chinese growth strategy of sequential focus on primary, secondary & tertiary sectors has some parallels -> economic success is an imp argument in favour of wage goods strategy - Thus complete reliance on wage good model would not have serve purpose of the development. Rather there was need to have balance between Mahalanobis model and Wage goods model.</p>	<p>- Search for alternatives to NMP arises in the backdrop of its failure to achieve target growth rates, employment generation, foodgrain self sufficiency, high inflationary pressures <u>Features of Wage-Goods model</u> - Wage goods = consumer goods - foodgrains, milk, edible oil, fruits etc - Labour productivity, emp gr largely depends on provision of wage goods, less on capital goods - Virtuous cycle aids overpopulated, underdeveloped nation to achieve emp & higher living stds w/in short period <u>Divergence from NMP</u> - Wage goods as drivers of economic growth, not heavy industries - Realising savings potential of the disguised unemployment <u>Arguments in favour</u> - Suitable for a low (K/L) ratio - Would have reduced need for borrowing to fund industrialisation - Faster economic growth for a given level of capital accumulation - Wage goods industries could have export potential - Reduction in import demands, especially of essentials - Built-in income redistribution effect - Solves open & disguised unemployment - Implicit social welfare function as it emphasised on faster path to full employment <u>Arguments against</u> - Underestimates significance of capital goods - Ignores TFP total factor productivity - Ignores forward & backward linkages, role of infrastructure - Limited capital stock, inefficient machinery during post indep would have made production costly & inefficient - Tech improvements would have made the model redundant - eg Green Revolution - Limited short term gains would have created difficulties in diversification, external dependence</p>	<p>Virtuous cycle </p>										
<p>Discuss the contributions of D. R. Gadgil to Indian Economic Planning and Policy. Evaluate the key elements of the 'Gadgil Formula' used by the Planning Commission. (20,2010)</p>	<p><u>Intro:</u> - 'Gadgil Strategy' by DR Gadgil formed the basis of 4th & 5th FYPs - Dr Gadgil - deputy chman of PC - Arose from his critique of NMP -- devoted too much resources on social & capital overheads, depriving agriculture of investments <u>Conclusion:</u> - Gadgil formula adapted from time to time to suit concurrent needs through national planning - Legacy of objective assessment of grants -- sustained through FC recos - Use of Revised Gadgil formula till date</p>	<p>- Contributions - Gadgil-Mukherjee formula plan based on 3 components <ul style="list-style-type: none"> • New agri strategy • Plan for industrialisation • Proper use of foreign aid & trade - Emphasis on decentralisation in planning - esp through PR - Objectivity in grants to states, based on defined criteria <table border="1" data-bbox="542 1198 805 1339"> <tr><td>Population</td><td>60%</td></tr> <tr><td>Per capita income</td><td>10%</td></tr> <tr><td>Tax performance</td><td>10%</td></tr> <tr><td>Irrigation & power projects</td><td>10%</td></tr> <tr><td>Specific needs of the state</td><td>10%</td></tr> </table> - 3 dimensional framework for evaluating effectiveness of plans <ul style="list-style-type: none"> • Methodology + programme of investment • Efficiency & adequacy of proposed measures • Conformity w/ social welfare objectives in the constitution - Special attention to states like J&K, Assam, Nagaland <u>Evaluation</u> (+) - 60% weightage on population appropriate <ul style="list-style-type: none"> • Obs: negative correlation b/w population & state per capita income - Tax effort - incentivised augmentation/ mobilisation of own resources - Income per capita -- favoured poor states - Aimed to address unemployment through primary focus on rural areas - Fiscal measures + objectivity -- helped progress towards national goals at state level - Paved the way for later adoption of decentralisation at all India level - 73rd, 74th CAA (-) - Remnant of discretion - No explicit formula for special states allocation - Perceived to be weighed in favour of rich states</p>	Population	60%	Per capita income	10%	Tax performance	10%	Irrigation & power projects	10%	Specific needs of the state	10%	
Population	60%												
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<p>How did VKRV Rao improve upon the earlier national income estimates of India? (10,2018) OR Explain the contribution of VKRV Rao in the estimation of National Income. (15,2016) OR Evaluate the contributions of VKRV Rao in the National Income Accounting of India. (10,2020)</p>	<p><u>Intro:</u> - VKRV Rao's PhD Thesis - 'National Income of British India' <u>Conclusion:</u> - His work was not just narrowly focused on national economy - Worked on standardising methods of national income estimation globally w/ Kuznets -- through Int'l Association of Income & Wealth - His solutions still relevant alongside more advanced</p>	<p><u>Deficiencies pointed out by Rao in previous estimates</u> - Analytical limitations in inter-country comparison of national income - Underestimation of invisible goods & services in developing economies - GDP of developing economies does NOT represent welfare levels of society - Govt expenditure -- doesn't always have commercial significance -- NOT scientifically accounted for in the GDP <u>VKRV Rao's national income estimates as an improvement</u> - Practical application of Marshall-Pigou synthesis <ul style="list-style-type: none"> • Account for everything w/ money value • Inclusion of services - Relied on primary data rather than published data used in previous studies - Careful calculation of margins of error - 3 sector classification of economy -- far reaching implications - Inclusion of services as a separate, independent sector - Use of 'income approach' in estimation <ul style="list-style-type: none"> • Used inventory values for agri </p>											

	techniques available at present	<ul style="list-style-type: none"> Income data for services 			
Discuss in detail the views VKRV Rao on deficit financing. (12,2012)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> Paper: 'Investment, Income & the Multiplier in an underdeveloped economy' <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> Policy focus on preventing inflationary impact of deficit financing 	<p><u>VKRV Rao described the following factors responsible for inflationary pressures:</u></p> <ul style="list-style-type: none"> Govt failure to mop up profits generated from deficit financing Decrease in real value of deficit financed outlay Lack of excess capacity -> inability of real output to grow despite stimulus Liberal bank credit due to easy money policy Compensatory growth in nominal wages Use of deficit financing for unproductive expenditure that neither aids consumption, nor adds to capital stock <p><u>Measures:</u></p> <ul style="list-style-type: none"> Preference to bank credit over creation of money Mopping up increased money ss through decrease in taxation Synchronised growth in real o/p Robust mechanisms to encourage flow back to exchequer Regulation of bank credit Increase in statutory reserve ratio for banks Public participation in choice + implementation of projects financed through deficit financing Raising awareness to avoid resentment 			
7. State the basic features of Mahalanobis model. (10,2013)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> Foundation of 2nd & 3rd FYPs By Prasanta Mahalanobis, founder and head of Indian Statistical Institute <p><u>Conclusion:</u></p>	<p><u>Conceptual foundations</u></p> <ul style="list-style-type: none"> Reason for employment: shortage of K goods Long term economic growth depends on augmentation of means of production -- K goods Basic strategy: simultaneous increase in consumption and investment (~balanced gr strategy by Nurkse, Lewis) <p><u>Features</u></p> <ul style="list-style-type: none"> Aimed to establish heavy industry as sound base for manufacture of capital goods Implicit assumption of employment generation through SSIs Based on 4 sector model <ul style="list-style-type: none"> K - capital goods C1 - consumption goods produced in factories ~consumer durables C2 - consumption goods produced in households, SSI C3 - services sector Visualised ~30-35% as optimum investment outlay to capital goods sector Import substitution strategy for development of heavy industry Emphasis on role of public sector Mechanism <ul style="list-style-type: none"> Increase in capacity to produce K goods -> increase in rate of K formation -> employment increase + higher rate of eco gr <p><u>Accomplishments</u></p> <ul style="list-style-type: none"> Planned investment outlay and distribution Met employment generation and income targets for K & C1 sectors <p><u>Critique</u></p> <ul style="list-style-type: none"> High domestic inflation (numbers) Failed to address disguised unemployment in rural areas Shortfall of national income vis-a-vis targets despite huge investments Heavy industry bias -> further distortions in an inequitable society <ul style="list-style-type: none"> Fruition of 'destabilisation critique' of unbalanced growth (Hirschman) 			

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Agriculture (Pre-liberalisation)

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc
<p>Land Reforms, Land Tenure</p> <p>'The progress in the implementation of tenancy and revenue reforms during the first 3 decades after independence in India was not satisfactory.' Do you agree with this view? Do you think that the advent of the Green Revolution made such land reforms policy redundant? (20,2019)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> Basic principle: rational use of scarce resources Major elements of land reforms: <ul style="list-style-type: none"> Abolition of zamindari Land ceiling Tenancy regulation Promotion of cooperatives <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> Myrdal in Asian Drama - land reforms more important than tech reforms for agri development 	<p>Success of land reforms</p> <ul style="list-style-type: none"> All states passed anti-Zamindari Acts in a staggered manner -- abolition of Zamindari on paper Haque: Area under tenancy decreased from about 50% (1951) to 20% by 1960 Reduction of absentee landlordism <p><u>Implementation defects</u></p> <ul style="list-style-type: none"> 'personal cultivation' loophole Evasion of land ceiling clause using benami transfers/ transferred land in names of other members of the household Excessive litany b'cos of refusal of zamindars Thorner: loose implementation - 10,000 acre post-reform estates in Bihar Very high land ceilings + subjective relaxations -> low effective transfer PS Appu: <2% land declared as surplus Pro-tenant tenancy laws => owners disincentivised <ul style="list-style-type: none"> Informalisation of tenancy => Future sharecroppers pushed underground Missing land accounts + legal barriers PS Appu: ownership rights conferred to only 4% of operated land; Mostly concentrated in 7 states incl Assam, Gujarat, WB Voluntary surrender clause used as a guise for forceful eviction Haque: only 1/3rd of consolidate-able area has so far been consolidated --> hampering commercialisation of agri <p><u>Green Revolution as a watershed:</u></p> <ul style="list-style-type: none"> Shifted focus from labour to capital as a key input Deolalikar (1981) - technical progress yields greater productivity benefits for larger landholdings Bharadwaj (1974) - estd relationship b/w command over resources and profitability per acre 		<p>Efficiency & equity -> land reforms -> institutional -> productivity Green revolution -> technological -> productivity Productivity -> accelerated dvpment</p>	

		<p>- Das (2021) - higher level of irrigation intensity correlated w/ higher productivity gains</p> <p><u>Green revolution & need for land reforms</u></p> <ul style="list-style-type: none"> - Largely bypassed landless, poor & small farmers - Objectives of land reforms crucial for success for land reforms - Calls for furthering land reform policy 		
How would you justify the policy of land reforms in the light of the farm size-productivity debate in India? (15,2018)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Farm-size productivity debate = inverse relation postulated b/w farm size & productivity, first conceptualised in the Chayanovian model <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 2009 Report on State of Agrarian Relations: calls 'land reforms an unfinished task' - Conclusion of debate: need push towards better implementation of land reforms 	<ul style="list-style-type: none"> - India: conflicting evidence <p><u>Support of IR</u></p> <ul style="list-style-type: none"> - Tenancy based explanation - disincentive of tenure contracts disincentivises productivity of large farms (Rao, 1966) - Labour based: labour intensity per acre, not farm size is crucial determinant of productivity (Sen, 1964) - Ghose, 1979: technological backwardness causes IR - Can't be generalised in face of mechanisation under GR <p><u>No IR or weak IR</u></p> <ul style="list-style-type: none"> - Rao (1967), Sain (1969) - no general IR b/w farm size & productivity - Rani (1971) - supports overall IR b/w farm productivity & size; weak statistical validation though - Deolalikar (1981) - yield advantage of small farmers diminishes and even reverses with technical progress <p><u>Justification for land reforms</u></p> <ul style="list-style-type: none"> - Besley Burgess (2000) - supports land consolidation and strengthening incentives for investment in agri -> tenancy reforms, intermediary abolition objectives - Das (2021) - persistent IR in India at all levels; dependent on cropping pattern - Stronger IR in regions w/ low mechanisation, whereas Deolalikar (1981) found reversal of IR w/ technical progress - Land reforms promotes investment and mechanisation through security of tenure and cooperative farming 		
What are the components of Land Reforms in India? Has it been completed? If not, then what are the obstacles? (10,2013) OR Why are land reforms still not complete in India? What are the obstacles in its way? Elaborate. (15,2014)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Land: state subject under 7th Schedule <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Connect w/ doubling farmer income, grassroots economic development 	<p><u>Components/ areas of emphasis</u></p> <ul style="list-style-type: none"> - Tenancy regulation -- fair rent, security of tenure - Land ceiling act in 2 rounds -- 1950s, 1970s - Consolidation of scattered lands into cooperative farming - Consolidation of landholdings; prevent further fragmentation <p><u>Land reforms as an unfinished agenda</u></p> <ul style="list-style-type: none"> - Zamindari abolitions did NOT benefit sub-tenants, sharecroppers -> lacked occupancy rights - Rent receiving class persisted on ground despite abolition of intermediaries on paper - Benami holdings - PS Appu (1992) - ownership rights to tenants on only 4% of operated land - Decline in tenancy attained through eviction of tenants, increase in landless labourers <p><u>Obstacles</u></p> <ul style="list-style-type: none"> - Loopholes in provisions -- 'personal cultivation' etc - Loose implementation - Thorer, 10000 acre estates in Bihar - Defective land records - Oral leases, lack of rent receipts - Misuse of punitive provisions for evictions <p><u>Way forward</u></p> <ul style="list-style-type: none"> - Implement 2009 CSLR - Committee on State Agrarian Relations & Unfinished Land Reforms - Digitise land records - Formalise tenancy agreements w/ provisions convenient for both parties - Empower women + traditionally marginalised sections in agri 		
Green Revolution				
Discuss the technological factors relating to the Green Revolution in India. (15,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<p><u>HYV</u></p> <ul style="list-style-type: none"> - Developed by Normal Borlaug - Greater sensitivity to fertiliser application, irrigation - Disease resistant - Higher productivity per acre - Shorter maturing time - Larger grain size - Impact -> HYV of wheat & rice: sharp increase -- 75MTA in 1967 to 250MTA in 2015 - Challenge -> low adoption of certified seeds <p><u>Irrigation Methods</u></p> <ul style="list-style-type: none"> - +ve: water use optimisation through drip, sprinkler irrigation methods - -ve: Dependence on fossil aquifers -- unsustainable agri - Impact: <ul style="list-style-type: none"> • Slowed depletion of ground water table • Proper drainage prevents soil salination, alkalinisation <p><u>Pesticides</u></p> <ul style="list-style-type: none"> - Necessitated due to lower resistance of HYV seeds - Both preventive, intervention - Affects branching structure of plants - Controls time of maturity - Improved quality of yield <p><u>Fertilisers</u></p> <ul style="list-style-type: none"> - Systematic increase in use of N based fertilisers -- global use increased 10x b/w 1950 (14 mn tonnes) and 1990 (140mn tonnes) - Coordinated use w/ irrigation produced significantly better yields in HYV crops <p>Issues</p> <ul style="list-style-type: none"> - Increasing cereal productivity (??) - Lack of complementarity b/w seeds - irrigation - fertilisers has limited 		

	<p>expansion of green revolution - Gap b/w actual and potential yields - Coordination b/w public & pvt investment, rationalisation of subsidies, region specificity of policies</p>												
<p>Do you think that the green revolution had limited impact on Indian agriculture? Justify your answer. (15,2018) OR Do you agree with the view that an increase in the productivity of agriculture as a result of the Green revolution was only short-term? Give reasons. (10,2016)</p>	<p><u>Intro:</u> - Refers to the program of expanding productivity in Indian agri - 3 major phases (Gulati & Fan, 2008)</p> <p><u>Conclusion:</u> - Dividends of high growth, food self sufficiency - Limited benefits due to imbalanced focus on cereals and need for expensive farm inputs</p>	<p><u>Positive impacts on Indian agri</u> - Achievement of food grain self sufficiency in 1972 - Sharp increase in food grain production especially rice and wheat</p> <table border="1" data-bbox="531 248 715 331"> <thead> <tr> <th></th> <th>1960</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>Rice</td> <td>35MT</td> <td>100MT</td> </tr> <tr> <td>Wheat</td> <td>11MT</td> <td>95MT</td> </tr> </tbody> </table> <p>- Reduction in inequality - (Blyn, Bhalla) • Greater benefits to lower segments due to decline in food prices, food security - Greater linkage with industry - Improved ToT of agri domestically - Multicropping boosted due to shorter maturity period</p> <p><u>Limited benefits</u> - Cereal centricity -- stagnant or declining production of coarse grains and pulses - Fall in employment elasticity of agri (Bhalla) • Due to increased mechanisation - Casualisation of agri labour - Increased fertiliser use deteriorated envi & soil quality - Aggravated inequalities in initial phase • Greater benefit to rich farmers - Decline in public investment in agri - Exacerbated regional disparity • Concentrated in Punjab, Haryana, West UP • Eastern states, dry land farming did NOT see much benefits - Environmental degradation as challenge to sustainability of agri • Water crisis, excess use of fertilisers, pesticides; degradation of soil composition</p> <p><u>Way forward</u> - Evergreen revolution - GR 2.0 w/ sustainability - Investment in infrastructure - Increase in resource use efficiency - Supplementary income sources - Land consolidation agenda</p>		1960	2011	Rice	35MT	100MT	Wheat	11MT	95MT		
	1960	2011											
Rice	35MT	100MT											
Wheat	11MT	95MT											
<p>Why Green Revolution lost its steam and India needs yet another Green Revolution or Evergreen Revolution? Discuss. (20,2014)</p>	<p><u>Intro:</u> - The brainchild of MS Swaminathan, Green Revolution helped India achieve self sufficiency in food production in 1972, especially rice and wheat.</p> <p><u>Conclusion:</u> - Requirement of GR 2.0 for a growing population, reduction of economic disparity and sustainable development priorities necessitate an evergreen revolution in India through structural reforms</p>	<p><u>Defects in GR (i.e. Reasons for losing steam)</u> - Lack of equity in implementation • Heavy capital investment beyond capacity of small farmers • Limited to highly irrigated NW areas • Limited productivity gains from expansion to central & eastern areas (BGREI <i>Bringing GR to Eastern India</i>) • Cereal centricity - had peculiar input, climatic requirements • Not scale neutral in initial phase --> rise in inequity - Institutional defects • Side-tracked complementary institutional and infra reforms • lack of market integration, widespread pricing and trading controls --> muted market signalling mechanism • Exit issues in farm subsidies --> crowding out - Unsustainable • Seed-water-fertiliser package -- DRS due to limited irrigation + declining soil health • Excessive & inefficient use of inputs • Subsidies became ingrained as cost of inputs rose gradually • By end of 1990s -- increase in yields through HYV seeds plateaued due to depletion of soil nutrients • Absence of tech dissemination & extension services --> hampered growth and diversification</p> <p>Swaminathan (2010) - evergreen revolution: enhancement of productivity in perpetuity, along with associated environmental & social harmony Paves the way for long term sustainability, keeping in view local needs & capabilities</p> <p><u>Need for GR 2.0/ Evergreen revolution</u> - Persistent malnutrition and hunger (101/116 on GHI, 2021) - Develop resilience against climate change & stress - Regain soil fertility - Improve agri as source of livelihood • More than 50% of popn -- only 14% GDP share - Addressing 3 goals of Indian Agri - Efficiency, Equity, Sustainability - Poverty reduction • World Development Report - 1% agri growth is twice more effective than non-agri growth - Diversification of crops as well as markets • Horticulture, food processing as sunrise sectors • ES 2021: agri growth primarily domestic driven at present - Establish agri-industry linkage w/ integration in GVCs</p> <p>Required salient features of GR 2.0 - Efficiency • Integrated natural resource mgmt • Diversification towards non-cereal crops: pulses, oilseeds, millets • Interrelation w/ livestock systems • Adoption of cooperative farming, corporate farming -- price realisation, quality management, export oriented production • Timely access to accurate info through mobile apps, online portals -- MAUSAM • Futures trading for agricultural commodity ◦ Solve cobweb problem ◦ Better price discovery; avoid gluts</p>											

		<ul style="list-style-type: none"> • Yield improvement through expansion of biotech -- GM crops, tissue culture <p>- Equity</p> <ul style="list-style-type: none"> • Expansion of gains through dryland farming, hill areas and islands • Village knowledge centres, bio villages • Increase yields of SMFs -- 80% farms here • Easier financing -- credit, insurance • Land reforms to attain consolidation, economically viable landholdings <p>- Sustainability</p> <ul style="list-style-type: none"> • Participatory research w/ farm families • Promote conservation agriculture • Organic farming -- low chemical fertiliser usage + replace w/ biological alternatives • Use of precision agri tech w/ real time biomonitoring • Integrated, strategic gene mgmt <p>▪ Evergreen Revolution: productivity improvement in perpetuity without ecological and social harm.</p> <p>Need: GR failed to eliminate hunger, Over production of wheat n rice, soil fertility loss, cereal centric and regionally biased, water logging and > salinity, farmer debt burden, >population=over-exploitation of land, 65% rural popn and 70% of rural popn dependent on agri, GR confined to well irrigated areas, Ecological losses, groundwater depletion, IPR controversy,</p>		
<p>“India urgently needs yet another Green Revolution by infusing modern technologies like ICT and Space technologies and Strategic Management techniques to come up with demand side pressures resulting in persistent food inflation in the economy.” Do you agree? (30,2011)</p>	<p><u>Intro:</u></p> <p>-</p> <p><u>Conclusion:</u></p> <p>-</p>			
<p>“The success of the Green Revolution shows the importance of the State in agrarian transformation.” Comment. (20,2009)</p>	<p><u>Intro:</u></p> <p>-</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Dimensions of success of GR</u></p> <ul style="list-style-type: none"> - Gaining self sufficiency in food - Meteoric rise in food grain production -- from a food deficit nation to food surplus nation - Multi-cropping -- now possible due to shorter maturity period - Increased commercialisation of agriculture - Reduction in inequality due to expansion of food security programme & decline in food prices <p><u>Role of State institutions</u></p> <ul style="list-style-type: none"> - Establishment of FCI in 1965 <ul style="list-style-type: none"> • Open ended procurement + MSP - APMCs for promoting agri marketing w/ remunerative prices - Provision for credit & liquidity, especially small & marginal farmers - Establishment of fertiliser & pesticide manufacturing plants to meet needs of domestic farmers <p><u>Role of state policies</u></p> <ul style="list-style-type: none"> - Import of HYV seeds & associated methods - Improvement of indigenous R&D - Favourable pricing policies to incentivise production increase by farmers - Stabilising, improving ToT of agri exports through appropriate tariffs - Judicious use of subsidies to reap out marginal social benefits of expansion of cultivation - Correcting inequities through investment in infra & extension services - Region specific grants & aid via planning & schemes <ul style="list-style-type: none"> • Eg Krishonnati Yojana 		
<p>Explain <u>why</u> the use of organic farming should be encouraged in India. (10,2018)</p>	<p><u>Intro:</u></p> <p>- FSSAI: organic farming - system of agri production that does NOT use external chemical inputs -- chemical fertilisers, pesticides, synthetic hormones or GMO</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Current challenges in Indian agri</u></p> <ul style="list-style-type: none"> - Land degradation <ul style="list-style-type: none"> • 30% of land area already degraded due to over-cultivation, deforestation, soil erosion, wetland depletion - Over-exploitation of ground water - Avg - ~7cm/ year drop in water table - Over-use of chemical fertilisers <ul style="list-style-type: none"> • Runoff, eutrophication, algal blooms, bio-accumulation - Stubble burning due to close succession of cropping seasons + 0 economic value of stubble - Significant rise in cost of chemical inputs <p><u>How organic farming can be a solution</u></p> <ul style="list-style-type: none"> - Increase farm income in a sustainable way <ul style="list-style-type: none"> • reduce cost of farming • Attract better remuneration than conventional farm products - Improvement of soil health, fertility -> achievement of LDN 2030 - Conservation of water through use optimisation - Prevent downstream damage through use of natural manure, pesticides - Complementary relationship w/ animal husbandry <ul style="list-style-type: none"> • Dairy sector supports 30% of rural income - Recycling of crop waste --> decrease farm residue burning - Cost effective farming - Insurance against climate vagaries through crop diversification - Encourage farm level biodiversity for sustainable agri <p><u>Status of organic farming at present</u></p> <ul style="list-style-type: none"> - Largest no of organic farmers - 9th largest area under organic farming - Sikkim - 1st fully organic state in 3016 		

- Uttarakhand -- estb organic commodities board, organic export zones
- Initiatives
 - MOVCD-NER Mission Organic Value Chain Development
 - PKVY Paramparagat Krishi Vikas Yojana
 - ZBNF - Zero Budget Natural Farming
- Certification scheme
 - NPOP National Program for Organic Production
 - PGS Participatory Guarantee Scheme

Capital Formation in Agri

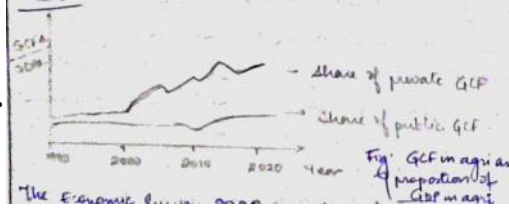
Explain the trend in gross capital formation in agriculture in India during the post liberalisation period. Do you think that private investment has been crowded out by the public investment during this period? (20,2020)

Intro:
 - BRICS - agri GDP growth atleast 2-3x more effective in poverty reduction than non-agri growth
 - Capital formation is a sine-qua-non for agri growth in terms of production & productivity both

Conclusion:

-

- Trend



• ES 2021 - notes a fluctuating trend in GCF in recent years

Reasons for stagnating/ declining public sector contribution

- Subsidies occupying major share; diversion of resources from productive investments
- Urban bias in the post-reform period
- Under-pricing -> distortionary input basket
 - Electricity, urea fertilisers
 - Large losses to exchequer
- Fiscal crisis of early 1990s
- Growing opposition to large dams -- used to constitute major investment components

Reason for private capital formation trends

- Initially declining; followed by sharp rise around 2000's
- Absolute and proportional decline in early 1990s -- lagged effect of 1980s decline in public investment
- Agri slowdown in 1996-2006 -- low savings, investment
- Expansion since early 2000s due to financial inclusion, accessible credit and increased savings

Crowding out?

- Public investments did NOT crowd out private investments
- Savant et al (2002) - private investments can NEVER fill the gap of public investment
- Gulati - complementary nature -- public investment strongly induces private investment; acts w/ a time lag
- Public and private investments serve different purposes --
 - Public - long term assets, irrigation works etc
 - Private -- working capital, mechanisation

Capital formation trend before liberalisation

- Capital formation = net addition to assets
- Better utilisation of existing land, labour resources
- Direct correlation b/w capital formation, agri growth, poverty decline

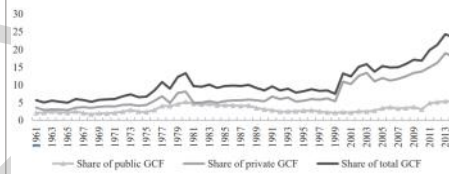
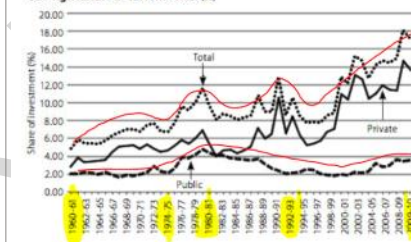


Figure 2.5 Gross capital formation (GCF) in agriculture (both public and private) as a percentage of agricultural GDP in India

Sources: Compiled from Ministry of Agriculture and Farmers Welfare, and Directorate of Economics and Statistics, Government of India (<https://data.gov.in>)

Figure 2: Gross Fixed Capital Formation in Agriculture as a Share of GDP - Agriculture at Current Prices (%)



70s	increased	From 2% to 4%
80s	static	~4%
Late 80s	falling	Fell to <2% by late 90s
11th FYP	rose	To ~4% again

ES 2021

- Positive growth rate of GVA agri - 3.4%
- Fluctuating trend in GCF --

2013-14	2015-16	2018-19
17.7%	14.7%	16.4%

Analyse the recent trend of gross capital formation in agriculture. Has it, do you think, been responsible for the sluggish growth rate in agriculture? (30,2011)

Intro:

-

Conclusion:

-

New Economic Reform and Agriculture

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc
		<ul style="list-style-type: none"> - Unremunerative crop prices - major cause of agrarian distress - 3 alternatives ➤ Massive increase in MSP to make it remunerative -- no, since high public expenditure; divorced from domestic & global dd patterns; would reduce export competitiveness of rice, etc ➤ Decrease cost of cultivation by employing NREGA workers -- can't be done under current provision of act + intent to provide <u>addl</u> work apart from the agri work already avbl ➤ Increase agri productivity 			
Agriculture And WTO		-- this done along side WTO in trade			
During the British rule, commercialization of agriculture was forced on the farmers, while now it is the need of the hour. Discuss. (12,2012)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Commercialisation - production aimed at distant markets -- domestic or international <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Policies enabling commercialisation of agri would increase sustainability of agri + aid in doubling farmers income 	<p><u>Forced commercialisation under British</u></p> <ul style="list-style-type: none"> - Colonial subjugation -> policies favoured British interests - Monetisation of land revenue payments -> incentive to monetarily profitable cash crops - Increased dd abroad (American Civil War) and decreased transport costs (Suez Canal) --> improved competitiveness of Indian exports <p><u>Current issues in Indian agri</u></p> <ul style="list-style-type: none"> - Low productivity and stagnating production - Huge wastage <ul style="list-style-type: none"> • NITI - 1/3 of total value of production wasted - Low real income and declining sustainability <p><u>Commercial agri as remedy to these issues</u></p> <ul style="list-style-type: none"> - Corporate farming <ul style="list-style-type: none"> • Economies of scale • Access to mechanisation • Reduced market risks for producer due to predetermined prices - Fillip to food processing sector <ul style="list-style-type: none"> • Value addition to move up the global value chains • Sharp rise in incomes - Horticultural production <ul style="list-style-type: none"> • Tool for rural diversification • Resilient to weather disruption - acts as income insurance - Nutritional security & remedy cereal centrality of MSP, PDS - Arrest land degradation 			
Food Processing					
1. Do you think the food processing sector as the sunrise sector in India during the post-reform period? Justify. (10,2020) a. Agro-based industries, especially food processing units, can alter the fate of rural India. Discuss. (15,2015)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Food Processing sector (FPI) - definition <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Chengappa 2013 calls it 'secondary agri' and places significant value on this for poverty alleviation and growth. <p>Share of agri inputs in mfg has declined from 20% (1993-94) to 5% (2006-07)</p>	<p><u>Significance in rural growth story</u></p> <ul style="list-style-type: none"> - Reduction in food wastage <ul style="list-style-type: none"> • NITI estimates post-harvest losses worth ₹90,000 crore annually • Collaboration w/ Israel for upgradation of post-harvest tech - Employment generation <ul style="list-style-type: none"> • 25 lakh micro FPI enterprises; mostly in informal sector • () - gains of 4-5x through formalisation of informal sector - Supplement farmer's income, esp during lean season - Preserve food quality, increase shelf life - Crop diversification <ul style="list-style-type: none"> • Insurance against calamity • Reverse soil degradation - Curb on food inflation due to low wastage + longer shelf life - Gender empowerment <ul style="list-style-type: none"> • 70% workers in animal husbandry are women - Curb rural to urban migration <p><u>India's Strengths</u></p> <ul style="list-style-type: none"> - Increasing middle class -> disposable incomes to spend on choice, quality of food - Forward & backward linkages - Favourable factor conditions <ul style="list-style-type: none"> • Diverse agro-climatic conditions • Lower cost of production -- ~40% lower in India compared to EU - Large no. Of players <ul style="list-style-type: none"> • Competitive market • Incentive for innovation - Existence of related and supporting industries <ul style="list-style-type: none"> • R&D, technical capabilities • Institutions for research in food tech, fisheries and dairy <p><u>Challenges</u></p> <ul style="list-style-type: none"> - Informalisation - 75% of FPI lie in informal sector - Lack of efficient ss chain infrastructure <ul style="list-style-type: none"> • Inadequate cold chains • Costly, slow transportation - Inadequate linkage of processors, exporters & bulk producers w/ farmers - Seasonality - Limited quality control and safety, weak institutions - Competition from global players - Minor player in global value chains <p><u>Way forward</u></p> <ul style="list-style-type: none"> - Policy initiatives -- to plug bottlenecks of ss side and infra <ul style="list-style-type: none"> • TRIFOOD project, Scheme for Formalisation of FPI - Promote private participation through fiscal incentives, risk sharing mechanisms, partnership models - Streamlining regulatory structure w/ single window clearances and uniform implementation of APMC 			
2. Horticulture is now the growth driver of Indian Agriculture. Discuss the issue in the broad context of rural diversification.	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Accounting for 1/3rd of India's agri GDP from less 	<p><u>Advantages of rural diversification</u></p> <ul style="list-style-type: none"> - Wider choice for producers and consumers - Income augmentation - especially for SMFs -- constitute 80% of landholdings - Diversification reduces risk 	- Chand et. Al. -- Indian agri generally marked w/		

(10,2018)	<p>than 10% of agri area, horticulture is rightly called growth driver of Indian agri.</p> <ul style="list-style-type: none"> - Out of overall growth rate of 3.5% in agri (2000-11), fruits and vegetables alone account for 19% - Rural diversification -- move towards multiple crops and allied activities of animal husbandry, agro-processing <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Kisan Rail, Cold Chain Development Schemes, Mega Food Parks -- steps in right direction 	<ul style="list-style-type: none"> - Move towards low volume, high value crops -> move upwards in the value <p><u>Horticulture as a growth driver</u></p> <ul style="list-style-type: none"> - Steady increase in production over past 2 decades - More remunerative than food grain production - Employment generation in all sectors -- primary, secondary, tertiary - Allows multi-cropping -- very high resource use efficiency for water & fertilisers - More resilient to weather conditions - Solves 'hidden hunger' -- rich source of micronutrients <p><u>Challenges in horticulture</u></p> <ul style="list-style-type: none"> - No safety net like MSP - Lack of cold chain, transport networks -> spoilage, wastage of perishables - Poor information of market -> high price fluctuations -- untenable for small farmers - Lack of demand due to low incomes + poor awareness of nutritional requirements <p><u>Way forward</u></p> <ul style="list-style-type: none"> - Technology led development - Post harvest infrastructure, value addition - R&D into varieties for cultivation in non-traditional areas - Dd development through campaigns, etc 	<p>low profit + farm income not sufficient to provide a livelihood</p>									
Subsidies												
<p>1. <input checked="" type="checkbox"/> Analyse the impact of fertiliser subsidy on agricultural productivity growth during the post reform period. (10,2020)</p>	<p><u>Intro:</u></p> <p>-</p> <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Fertilisers played key role in augmenting production under GR - Reached the zone of stagnant, negative marginal returns - Urgently needed to rationalise fertiliser subsidies 	<p><u>Concerns outlined by Standing Committee on Chemicals & Fertilisers (2020)</u></p> <ul style="list-style-type: none"> - Sharp decline in marginal response of agri productivity to addl fertiliser usage since 2000's decade - Disproportionate application of fertilisers <ul style="list-style-type: none"> • Ideal ratio of NPK: 4:2:1 • Actual - 7:3:1 - Multi-nutrient deficiency & reduction in carbon content of soil - Stagnating productivity growth & agri production - Subsidy on fertilisers -- hampered innovation in fertiliser industry -- outpriced <ul style="list-style-type: none"> • Efficiency losses - Limited resources + diversion into fertiliser subsidy -> decrease in capital formation & public investment in agri <ul style="list-style-type: none"> • Das & Sircar - output elasticity of subsidies (0.75) is less than output elasticity of gross capital formation (0.86) - Very low fertiliser use efficiency due to overuse <table border="1" data-bbox="563 987 823 1043"> <thead> <tr> <th>Nutrient</th> <th>N</th> <th>P</th> <th>K</th> </tr> </thead> <tbody> <tr> <td>Efficiency</td> <td>33%</td> <td>15%</td> <td>20%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> - Cheap availability of urea -- disincentivised use of organic manure -> poor soil health & further productivity losses 	Nutrient	N	P	K	Efficiency	33%	15%	20%		
Nutrient	N	P	K									
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<p>'Agriculture subsidy is both an economic as well as social issue, hence the govt finds it difficult to take a decisive decision.' Comment on the above statement. (15,2016)</p> <p>a. 'Subsidies are a source of inefficiency and corruption.' Do you agree with the statement in the Indian context? Justify your answer. (10,2017)</p>	<p><u>Intro:</u></p> <p>-</p> <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Agriculture Subsidy is both an Economic as well as Social issue. Along with it is politicized. Hence the Government finds it difficult to take a decisive decision 	<ul style="list-style-type: none"> - Farm agitation 2020 ke context me aisa kuch <p><u>Social issues of agriculture subsidy</u></p> <ul style="list-style-type: none"> - MSP is benefitting small and marginal farmers. - It avoids distress sale. - Food subsidies ensures food security to poor. - However it is seen that food subsidies through government procurement has led to large wastages in FCI godown. - Agriculture subsidies led to overuse of fertilizers. - It is increasing environmental degradation. - Shanta Kumar committee said that MSP is benefitting only 10% of small and marginal farmers. <p><u>Economic issues of agriculture subsidy</u></p> <ul style="list-style-type: none"> - MSP provides assured income to the famers. - Fertilizers subsidies reduces cost of production for the farmers. - However it is seen that subsidized fertilizer is diverted to industrial use from agricultural sector. - Subsidies also divert resources from infrastructure investment. - According to Gulati capital expenditure is 2.5 times more beneficial than the subsidies. 										
<p>What are the different types of agricultural subsidies that are given to the farmers in India? How can these be rationalised? (10,2015)</p>	<p><u>Intro:</u></p> <p>-</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Types of subsidies in India</u></p> <ul style="list-style-type: none"> - Input subsidies <ul style="list-style-type: none"> • On fertilisers • On water <ul style="list-style-type: none"> ◦ Power subsidy (groundwater extraction) ◦ Irrigation subsidy (for surface water usage) • On seeds - Output/ price subsidy <ul style="list-style-type: none"> • Through measures like MSP, FRP to maintain prices above a certain threshold even if market determined rates might be a little low - Infrastructure subsidy <ul style="list-style-type: none"> • Agri infrastructure fund • Capital subsidy - Export subsidy <ul style="list-style-type: none"> • Remission of duties, eg RoDTEP <p>OR</p> <p>Explicit Input Subsidies</p> <p>Implicit Input Subsidies - arise from mechanics of input pricing</p> <ul style="list-style-type: none"> . Output subsidy Food subsidy <p><u>Need for rationalisation</u></p> <ul style="list-style-type: none"> - Heavy fiscal costs - Low effectiveness (Das & Sircar) <ul style="list-style-type: none"> • O/p elasticity of GFCF (0.86) > o/p elasticity of subsidies (0.75) - Huge leakages in the system 										

		<p>- Cultivates dependence rather than capacity building - Vimrani (2008) -- subsidies negatively impact growth through distortions; marginal impact on poverty reduction - Parikh et al (2010) -- 10% rise in MSP -> 1% rise in inflation</p> <p><u>Measures to rationalise subsidies</u> - Power subsidies measures suggested by Gulati & Narayanan (2003) <ul style="list-style-type: none"> • Separate feeder for agri purposes - eg Gujarat's Jyotigram expt • Distribution through smart cards than enable electronic meters to avoid diversion - Irrigation subsidies <ul style="list-style-type: none"> • Higher prices that internalise social cost of over-exploitation • Timely completion of ongoing projects to save on cost overruns - Fertiliser subsidy <ul style="list-style-type: none"> • NBS Nutrient based subsidy to induce balanced consumption - Infrastructure development -- to reduce costs, would obviate need for subsidies - Digitisation of process to eliminate leakage - Overhaul of entire subsidy regime with forward looking measures to reduce externalities</p> <p>Major subsidies on Agricultural Inputs</p> <p>Power subsidy is granted on power that is used to draw on groundwater. Irrigation subsidy is the subsidy provided on the usage of government provided canal water. The fertilizer subsidies are borne by the Central Government. Seeds are provided at subsidized rate. Export subsidies are provided to increase farm export. Through various interest subvention scheme, credit subsidy is provided. Minimum support price is provided to ensure fixed income for farmer. Rationalization of subsidies</p> <p>There is need to limit subsidies to small and marginal farmers. It will save money which can be used on capital expenditure. Gradually subsidies should be reduced and replaced with capital expenditure. Subsidies can be replaced with Direct Benefit Transfer. It will reduce leakages. Instead of subsidies, Rayatu Bandhu like income transfer scheme can be useful. Gulati suggested that capital expenditure is 2.5 times more useful than subsidies. Thus there is need to rationalize subsidies and investment in infrastructure.</p>		
<p>Analyse the salient features of 'interest subvention scheme' and its implications on the farm sector. (20,2018)</p>	<p><u>Intro:</u> - Interest Subvention Scheme (ISS) refers to the program of providing short term credit to farmers at subsidised interest rates - Here govt pays part of the interest on the credit disbursed.</p> <p><u>Conclusion:</u> - _</p>	<p><u>Salient features</u> - Available for varied purposes <ul style="list-style-type: none"> • Short term crop loans, post harvest loans, natural calamities affected farmers. - Mostly entail 2% interest subvention, with limit upto ₹3 lakh - Some also include 3% additional subvention if loans are promptly repaid within a year - Under NRLM - interest subvention on similar terms is also available for women SHGs - Support to animal husbandry is provided through dairy cooperatives & FPOs</p> <p><u>Analysis of implications</u> - Easy & cheap credit availability to farm sector - Significant increase in credit flow witnessed for crop loans after introduction of ISS - Reduced farmer dependence on local money lenders - Effect more pronounced when additional subvention for prompt repayment is included - PRIs (Prompt Repayment incentives) have also led to noticeable improvement in recovery - Improvement of credit culture in regions w/ ISS - Concessional loans against warehouse receipts can be provided -> reduces distress sale by farmers</p> <p><u>Challenges</u> - Implementation issues -- late disbursals to banks have led to large losses, especially DCCBs - Repercussions on lending abilities of bank - RBI: poor repayment of money disbursed through KCC -- Kisan Credit Cards <ul style="list-style-type: none"> • Diversion into consumption expenditure - Burden on state exchequer <ul style="list-style-type: none"> • Das & Sircar -- output elasticity of subsidies is only 0.75 compared to 0.86 for investment -- must focus on latter </p> <p><u>Recommendations</u> - Preference to DBT (eg Brazil's Bolsa Familia -- increased income for 80% of Bolsa hhs) <ul style="list-style-type: none"> • Muralidharan (2014) -- pilot study on DBT in MNREGA - 10 days faster payment; 10% reduction in leakages by 10%; fiscal savings amounting to 8x of cost of implementation - Consider advance disbursal of quarterly subvention amount to banks by the Govt - Online filing of claims to cut down duplicates and save time</p>		
<p>What are the merits and demerits of the case of farm loan waivers in India? Explain. (15,2017)</p>	<p><u>Intro:</u> - First major national program - 1990 - Next in 2008 - Recently - 10 states have waived farm loans since 2014-15, worth ₹2.4 tn</p> <p><u>Conclusion:</u> - _</p>	<p><u>Rationale/ merits of farm loan waivers</u> - Alleviating debt overhang of beneficiaries <ul style="list-style-type: none"> • Enable productive investments • Boost real economic activity -> >85% farmers are SMF -- lack basic inputs of farming - Rural-urban divide in growth - Rainfed agriculture in large parts of India <ul style="list-style-type: none"> • Agrarian distress in years of poor monsoon - To compensate erosion of margins due to greater increase in i/p costs vis-a-vis prices</p> <p><u>Demerits:</u> - Mostly done for political expediency -- populist measure <ul style="list-style-type: none"> • 8/10 recent state waivers w/in 90 days of elections - Shylendra -- inequitable access: <ul style="list-style-type: none"> • Fresh credit, relief both primarily flow to large landholding farmers - Observed deceleration in outstanding agri credit - Decline in agri credit disbursements in years of loan waiver - Problem of moral hazard -- recipients engage in strategic default in anticipation of waiver - Increase in bank NPAs from agri <ul style="list-style-type: none"> • ICRIER: 3x rise • Ratings downgrades • Limited ability to lend to other sectors due to higher provisioning requirements </p>		

		<p>-Poor effectiveness - Kanz (2012) farm loan waivers had no impact on investment</p> <p>-Difficulty in obtaining both formal & informal credit after loan waivers</p> <ul style="list-style-type: none"> • Kanz & Gine, 2017 + Raj & Prabhu, 2018 -- banks undertake reallocation of credit towards less risky customers <p>-Impact on state finances over multiple years, potentially depressing capital expenditure on agri</p> <ul style="list-style-type: none"> • Das & Sircar - o/p elasticity of GFCE (0.86) > o/p elasticity of subsidies <p><u>Policy alternatives</u></p> <p>-Holistic review of agri policies and implementation at both Centre & State govt level</p> <p>-Addressing long term challenges through crop insurance, income support & APMC reforms</p> <p>-Capital expenditure to build durable assets</p> <p>-Improved technology -- expansion of irrigation coverage & crop diversification for structural changes</p>			
Agricultural Prices and Public Distribution System, Food Security					
1. <input checked="" type="checkbox"/> Examine the efficacy and resilience of PDS in India for providing food security. (15,2020)	<p><u>Intro:</u></p> <p>- The PDS system adopts a rights-based approach to ensuring food security w/ NFSA 2013 giving legal entitlement to 67% of the population.</p> <p><u>Conclusion:</u></p> <p>- PDS system resilient</p> <p>- Mildly effective tool for ensuring food security</p> <p>- Can remedy this by implementation of Shanta Kumar Committee Recommendations</p>	<p><u>Efficacy boosters:</u></p> <p>- Poverty reduction:</p> <ul style="list-style-type: none"> • Himanshu (2016) - reduction in poverty during 2006-10 to success of PDS - Digitisation & Aadhaar Seeding (>90%) -- significant purging of 'ghost' beneficiaries - Food coupon system under PDS in Bihar - reduced leakages from 97% to merely 20% in 2 decades <p><u>Drags on efficiency:</u></p> <p>- Inefficient targeting -- only 20% of BPL card holders are actually poor</p> <p>- Negligible variation in PDS offtake across income groups</p> <p>- Geographical imbalance in storage capacity -- food shortages, increase reliance on food security allowances in distant states, eg NER</p> <p>- ' - nutrient deficiency due to exclusive focus on carbohydrates</p> <ul style="list-style-type: none"> • GHI rank 101/ 116 (2021) <p><u>Resilience:</u></p> <p>- Stable share of PDS grains offtake in total grain consumption countrywide</p> <p>- Reliance on beneficiary identification under PDS during COVID-19 lockdowns</p> <p>- Universalisation of PDS benefits in some states -- ensure food security in 2020-21</p> <p>- Successful distribution of 93% foodgrains/ month under PM KAY Garib Kalyan Anna Yojana following all COVID protocols</p> <p>- Expansion to migrant beneficiaries through ONORC scheme - implemented by several states</p>			
2. How has the movement of agricultural prices during the post-liberalisation period been responsible for farmers' distress in India? (10,2019)	<p><u>Intro:</u></p> <p>- NEP 1991 did NOT include explicit mandate for liberalisation of agriculture</p> <p>- Still operates under constraints of imperfect factor markets, poor price discovery due to lack of markets, rising input costs and lack of avenues to mitigate price risks</p> <p><u>Conclusion:</u></p> <p>- Globalisation + govt control + intermediaries -> farm income becomes volatile -> increases farmer distress</p>	<p><u>Factors affecting agri prices in post liberalisation period</u></p> <p>- Price policies - MSP, FRP, MIS, PSS</p> <p>- Changing pattern of food consumption</p> <p>- Buffer stock norms under PDS</p> <p>- Import liberalisation</p> <p>- Export Control through Minimum Export Prices</p> <p>- Storage/ hoarding norms -- ECA 1955</p> <p><u>Led to farm distress in the following ways:</u></p> <p>- Operation of Samuelson's Cobweb model</p> <ul style="list-style-type: none"> • Alternate years of glut and scarce production -> low price realisation for farmers <p>- Roy & Chandrulu, 2017 -- agri declining as a source of income, even among farming hhs</p> <p>- Lack of safety nets -- MSP, FRP procurement limited to certain crops + geographically concentrated in few states</p> <p>- Poor storage & transport -> decrease in market power of farmers + distress sales to avoid spoilage</p> <p>- Market distortions due to cereal centrality, APMC monopoly -> inefficient price discovery -> inadequate profit realisation for farmers</p> <p><u>Way forward</u></p> <p>- National Market for Agri - eNAM, modern APMC</p> <p>- Liberalisation of exports to stabilise domestic prices (i.e. Trade as vent for surplus)</p> <p>- Building cold chain networks + faster & efficient transport (Kisan Rail)</p> <p>- Food processing at local levels to reduce spoilage</p> <p>- Infrastructure investment to increase farm income</p>			
3. What reforms would you advocate to make the PDS in India more effective? (10,2019)	<p><u>Intro:</u></p> <p>- PDS - world's largest subsidised food grain distribution program</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Low effectiveness in recent years b'cos:</u></p> <p>- Inefficient targeting and identification - only 20% of BPL card holders are actually poor</p> <p>- Countercyclical inventory mgmt practice by FCI</p> <p>- Leakages, diversion to open markets</p> <p>- Corruption</p> <p>- Poor awareness among beneficiaries</p> <p><u>Reforms:</u></p> <p>- <u>Consumer side reforms</u></p> <p>- Digitisation of ration cards w/ online verification and entry</p> <p>- ONORC -- migrant food security</p> <p>- Aadhaar seeding to remove duplicates, ghost beneficiaries</p> <ul style="list-style-type: none"> • >90% of Aadhaar cards seeded <p>- Computerised allocations to FPS</p> <ul style="list-style-type: none"> • Real time monitoring of offtake • Reduced diversions and leakage <p>- Use of GPS to track trucks carrying foodgrains</p> <ul style="list-style-type: none"> • Successful in Chhattisgarh, TN <p>- Village Grain Banks to deal w/ drought like situations</p> <ul style="list-style-type: none"> • Eg SHGs permitted to operate grain banks <p>- Greater awareness & community monitoring</p> <p>- Switch to alternatives like DBT, Food Coupons</p> <ul style="list-style-type: none"> • Pilot basis DBT in Chandigarh, Puducherry • Currently total DBT = ₹60k crore annually; max goes to MNREGA = ₹35k crore • Bihar successfully reduced leakages from 97% to 20% through food coupons <p>- SMS based tracking - eg in TN -- regarding dispatch, arrival of grains at FPS to beneficiaries</p> <p>- <u>Procurement side reforms</u></p> <p>- Shanta Kumar Committee -- govt should halve buffer stock to reduce wastage</p>			

		<ul style="list-style-type: none"> -Decentralised procurement, distribution -- to reduce cost of transport -Creation of robust storage capacity to reduce wastage 																		
<p>4. <input checked="" type="checkbox"/> Assess the degree of success of the targeted Public Distribution System in the country in meeting its objectives. (30,2010)</p>	<p><u>Intro:</u> -TPDS aim: target poor hhs while upholding the 'universal' characteristic of PDS -NFSA 2013 - covers 75% of rural population & 50% of urban population (67% of total) + statutory Right to Food to citizens</p> <p><u>Conclusion:</u> -Immense potential -- tapped by increasing effectiveness of system</p>	<p><u>Extent of success</u> -Dreze & Khera: positive impact on rural poverty, especially in states having well functioning PDS Systems -Himanshu (2016) - positive impact on food security + rural growth during 2005-10 -Inclusive character -Complementarities due to MSP protect interests of both consumers & producers (i.e. MSP procurement)</p> <p><u>Defects:</u> -Targeting -- income definition of BPL doesn't cover significant portion of vulnerable popn <ul style="list-style-type: none"> • NSS (2007) - 63% of poor hh not covered • Only 20% of BPL card holders actually poor -Identification errors <ul style="list-style-type: none"> • CAG (2016) - only 51% of eligible beneficiaries actually covered -Fixed share of beneficiaries -- high fiscal costs as absolute no of beneficiaries increase w/ popn -Leakages and late arrival at FPS lead to issues in physical, economic access to entitlements -Doesn't exhibit decline in offtake w/ income rise due to poor targeting -Ensures calorie intake at cost of balanced diet -- pulses, micronutrients not part of prescribed ration</p> <p><u>Can be rectified by:</u> -Dietary diversity -- inclusion of pulses, coarse cereals -Digitalisation of ration cards and end-to-end computerisation of supply chain (FCI to FPS) -Shanta Kumar, 2015: Decrease coverage to 40% population but increase effectiveness to 100% -Promote 'GiveItUp!' like LPG subsidy to reduce burden on APL families</p>																		
<p>5. Highlight the basic features of NFSA, 2013. Can it solve the problem of malnutrition in the country? Discuss. (10,2015) OR Examine the basic features of the National Food Security Act, 2013. (10,2016)</p>	<p><u>Intro:</u> -Paradigm shift -- welfare approach to rights based approach -Life cycle approach -- assistance at every stage of life</p> <p><u>Conclusion:</u> - _</p>	<p><u>Key features</u> -PDS now governed by provisions of NFSA, 2013 -Legal entitlement to 67% of population -- 75% rural, 50% urban <ul style="list-style-type: none"> • Coverage under PDS delinked from erstwhile 'poverty estimates' -Individual entitlements rather than for hh <ul style="list-style-type: none"> • 35kg foodgrains per AAY hh/ month • 5kg foodgrain /poor hh person/ month -Highly subsidised CIP <ul style="list-style-type: none"> • ₹1 - coarse grains; ₹2 - wheat; ₹3 - rice -Special focus on pregnant women, lactating mothers -- cash maternity benefit of ₹6000 -Eldest woman of beneficiary hh (18yo +) considered as 'head of family' for ration card issuance -Focus on children upto 14 yo <ul style="list-style-type: none"> • Age appropriate meal at Anganwadi upt 6 years • Mid Day Meal for 6-14 yo -State Food Commissions & Food Security Allowance in lieu of non-fulfilment -Grievance redressal through - State Food Commissions, DGROs, Vigilance Committees at different levels -Provision for disclosure of records relating to PDS operations, placing beneficiaries' list in public domain/ portals -- for enhanced transparency</p> <p>Malnutrition -2 dimensions - quality and quantity</p> <p><u>NFSA and quantitative malnutrition</u> -Prescribes calorie intake levels -Appropriate rations to fulfil above requirements through rice, wheat, oil -In practice, fails to deliver even on this aspect in many cases</p> <p><u>NFSA and qualitative malnutrition</u> -Variety food sources -Macronutrients - carbohydrates, fats, proteins -Micronutrients - vitamins, minerals -NFSA fails to address dietary diversity -NFHS-5: epidemic of hidden hunger in India -GHI - 101/ 116 rank</p>																		
<p>7. Do you agree that focused and target-oriented technological interventions under National Food Security Mission (NFSM) have made significant impact since its inception? Justify. (10,2013)</p>	<p><u>Intro:</u> -NFSM - focus on districts w/ productivity levels lower than national average in production of wheat, rice, pulse, millets, fodder</p> <p><u>Conclusion:</u> -Targeted approach led by decentralised Project Mgmt Teams -To replicate this success, 12th FYP launched NFSM 2.0 w/ addl focus on coarse cereal crops</p>	<p><u>Focus on technological interventions</u> -Farm mechanisation - input credit on tractors, harvesters, etc -Seed development - State Agri Universities, ICAR, IARI -Technology demonstration and deployment through extension services, local volunteers</p> <p><u>Success under NFSM</u></p> <table border="1"> <thead> <tr> <th></th> <th>Rice</th> <th>Wheat</th> <th>Pulses</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Target</td> <td>10 MT</td> <td>8 MT</td> <td>2 MT</td> <td>20 MT</td> </tr> <tr> <td>Achievement</td> <td>10</td> <td>13 MT</td> <td>3 MT</td> <td>26 MT</td> </tr> </tbody> </table> <p>-Consistent yield growth in majority of 171 pulse districts, despite drought conditions</p>		Rice	Wheat	Pulses	Total	Target	10 MT	8 MT	2 MT	20 MT	Achievement	10	13 MT	3 MT	26 MT			
	Rice	Wheat	Pulses	Total																
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<p>8. High MSP induce distortions, some of which ultimately hurt the poor. Examine its merits and demerits. (15,2015)</p>	<p><u>Intro:</u> -MSP - guaranteed minimum price a farmer would obtain for the produce, even if market determined prices</p>	<p><u>Merits</u> -Complementarity w/ PDS ensures food security -Protects producer interests against price fluctuations arising from Samuelson's Cobweb model -Induces private investments by improving overall ToT (Gulati & Bathla) -Abhijit Sen - protects against global shocks -Assurance of minimum returns acts as price insurance -Dasgupta: Positively correlated w/ rural wages</p>																		

fare lower
- Announced for 22 crops in 2 crop seasons by CACP
- Administered through procurement by FCI

Conclusion:

-

Demerits/ distortions

- Market structure -- monopoly of APMCs (sole buyer)
- De-facto nationalisation of grain market
- Cereal centricity - open ended procurement of wheat & rice -> marginalisation of pulses and coarse crops to rainfed, poorly invested land
- Equity distortion -- as most of MSP grains are concentrated to rich farmers, regions w/ good irrigation facilities
- Public investment distortion as subsidy burden leads to neglect of irrigation and marketing infrastructure investment
 - Das & Sircar - o/p elasticity of subsidy (0.75) < o/p elasticity of investments (0.86)
- Inflation due to counter cyclical inventory mgmt of FCI

How it hurts the poor

- Low public investment -> decreased productivity
 - Low access to private resources
 - Complementarity rather than substitutability b/w public & private investments
- Only 6% farmers aware of MSP
 - Unable to tap into benefits
- Greater likelihood of being cheated by middlemen (Dreze)
- Inflation leads to increasing inputs costs -> negative real income of marginal farmers
- Cereal centric PDS -- hidden hunger of proteins, micronutrients
 - Decline in per capita protein availability from 61 gm per person per day to 42 now

How to make it hurt less

- Shantakumar Committee (2016)
- Ashok Gulati - rationalise MSP w/ limited crop coverage, but 100% procurement
- EcoSur -- formulate MSP policy that does price signalling based on social rather than private returns/ costs

Impact of Public Expenditure on Agricultural Growth/ General Agriculture

1. Explain the trend in gross capital formation in agriculture in India during the post liberalisation period. Do you think that private investment has been crowded out by the public investment during this period? (20,2020)

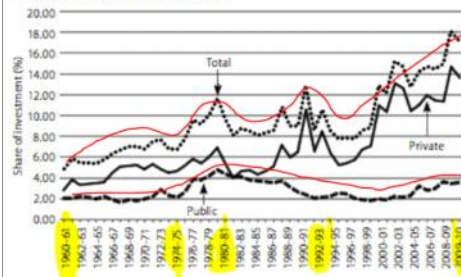
Intro:

- Capital formation in net addition to assets. Following are trends in GCF in agriculture after post liberalisation.

Conclusion:

-

Figure 2: Gross Fixed Capital Formation in Agriculture as a Share of GDP-Agriculture at Current Prices (%)



1990-2000

By 2000 GCFA was 12% of GDP. In this period Public GCFA was stagnant. It was might be due to high expenditure on subsidies. During this period difference between private and public expenditure increased drastically. Now public investment forms only 16% share.

2000 onwards

By 2008 GCFA increased to 18% of GDP. After 2005 projects like Bharat Nirman increased public capital expenditure. However private investment was relatively slowed down. It is due to slow agriculture growth.

After the 1991 investment have shown stangancy while private investment is showing increasing trends. Thus, in my opinion public investment was not crwoding out private investment. Infact after 1991 there was growth of financial institutions which helped to increase private investment. After 2008 it can be seen that there is increase in public investment as well as private investment. Hence it can be said that public investment is not crowding out private investment.

2. Do you think that the fall in public investment in agriculture adversely affects the productivity growth of this sector in India? Give reasons. (15, 2019)

Intro:

- Gulati, 2020 -- Public investment in agri was ~₹44,000 crores, a fourth of the expenditure on input subsidies at ~₹1.7 lakh crore

Conclusion:

- Productivity growth in India's agriculture sector has been dismal partly due to more emphasis on inefficient subsidies and in general reduced investment by Govt. in agriculture post 1991.
- To achieve 4% agri-GDP growth and double farmers' income by 2022,

- Trends:

	1980	2000
Share of public inv in total agri inv	50%	16%

Effect on productivity growth

- Das & Sircar - output elasticity of public investment in infrastructure = 0.86 (v/s 0.75 for public expenditure on subsidies)
- Public investment crowds in private investment in agri, but with a time lag.
 - Fall in public inv in 1980 led to fall in private investment in 1990
 - Reflected in low agri growth in post-LPG period
- Overall low & stagnant private investment in agri
 - Economy wide private investment = 11% of GDP; agri no exception
- Gulati & Bhalla - 10% decrease in public investment -> 2.5% reduction in agri growth
- Private investment and public investment are complementary rather than substitutes
- Private inv can NEVER fill the gap of large scale public investments -- eg dams, rural infra, due to capital constraint
 - Rural infra most important factor in spurring agri growth
- Large positive externalities of public externalities
 - Eg Hiwara Bazar village (Maha) -- community led water conservation projects helped increase agri production -- now avg family income is ₹25000 p.m.
- Irrigation projects have proceeded slowly; >40% area still under rainfed agri
- Gulati: govt's agri research universities are starved of funding; productivity gr occurs through R&D, new tech
- Few paradigm shifting tech in agri introduced since the Green Revolution of 1970s
 - Underexploited GM crops --- due to various envi, other concerns
- Focus shifted on food, water, fertiliser & power subsidy
 - Farmers have no incentive to cut costs, improve productivity

	<p>productivity growth and rise in public investment are essential.</p>	<p><u>What type of public investment is needed</u></p> <ul style="list-style-type: none"> - Fan (2008) -- returns from inv in R&D are highest; higher even than irrigation - Govt should invest in IARIs, fill vacancies - Michael Kremer at Harvard -- recommends Advanced Marketing Committee for health funding -- mechanism where 1st firm to develop a vaccine receives a large bounty but IP rights are retained by govt -- to induce R&D investment in sectors w/ high +ve externalities 																		
<p>3. <input checked="" type="checkbox"/> Relative contribution of agriculture to the GDP of India has been going down steadily since Independence. Do you think this highlights a weakness of the economy? Explain. (10,2017)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Agri - largest provider of employment in Indian economy - Contributes to food surplus for expanding population, raw material for industries and market for industrial products <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Need to prioritise agri growth via modernisation, mechanisation, efficient factor markets, effective transport & storage networks and improved marketing 	<p><u>Share in GDP</u></p> <ul style="list-style-type: none"> - Consistent decline from about 30% in 1981 to merely 14% at present <table border="1"> <thead> <tr> <th>Year</th> <th>1981</th> <th>1991</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Share of agri</td> <td>30%</td> <td>24%</td> <td>14%</td> </tr> <tr> <td>Industry</td> <td>25%</td> <td>25%</td> <td>27%</td> </tr> <tr> <td>Services</td> <td>35%</td> <td>42%</td> <td>60%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> - Accompanied by lower growth rate of agri (2%) vis-a-vis rest of the economy <p><u>Doesn't highlight a weakness b'cos:</u></p> <ul style="list-style-type: none"> - Even lower share in developed ctries - 5% in USA - Transition from primary to secondary and tertiary sectors -- basis of several growth models -- Lewis, Rostow - Absolute contribution has risen; share has fallen due to faster growth rate in other sectors - Overall improvement in other economic indicators -- std of living, health, education <p><u>Yet, still a cause for concern</u></p> <ul style="list-style-type: none"> - Extremely low labour productivity -- 50% of labour force produces only 14% of output - Benefits of economic reforms, growth does NOT reach SMFs -- form ~85% of agri hhs - Inhibits rural dd -> spillover effects into other sectors of the economy - Increases burden of social welfare expenditure on govt like transfer payments - Rainfed agri > 40% area 	Year	1981	1991	2018	Share of agri	30%	24%	14%	Industry	25%	25%	27%	Services	35%	42%	60%		
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<p>4. Even though India is self-sufficient in the production of food grains, Indian agriculture is faced with some major challenges. Elucidate. (15,2017)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Indian agri achieved self sufficiency in food production in 1972, due to the success of the GR - Increase due to intensive techniques rather than extensive methods used previously - Includes HYV seeds, irrigation, use of chemical fertilisers & pesticides. <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<p><u>Challenges faced by contemporary Indian agriculture</u></p> <ul style="list-style-type: none"> - Fragmented land holdings, despite land reforms <ul style="list-style-type: none"> • 85% are SMF landholdings, with <2 hectares - Low mechanisation -> low productivity + stagnating income - Monsoon dependence -- ___ % area under rainfed agri - Poorly organised input markets -- lack of high quality seeds, limited choice in chemical inputs - Roy, 2017 -- Credit access from formal sources severely constrained due to lesser share of rural branches - Climate change -- increased frequency of droughts and floods; both occurring contemporaneously in different parts - Declining response to chemical inputs <table border="1"> <thead> <tr> <th></th> <th>1980s</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Response ratio</td> <td>41</td> <td>14</td> </tr> </tbody> </table> <ul style="list-style-type: none"> - Deficient transport and storage facilities leading to high wastage - Absence of agro based industries, proper marketing facilities - Small portion integrated w/ GVCs -- subject to high price fluctuations <p><u>Measures</u></p> <ul style="list-style-type: none"> - PS Appu - implementation of land reforms in letter and spirit - Modernisation of agri marketing and creation of a national agri market - Liberalisation - Removing arbitrary export-import controls on agri products - Rural diversification to gain complementary benefits <ul style="list-style-type: none"> • Horticulture, animal husbandry, food processing - Public sector investment into transportation (Kisan Rail) and storage (Cold Chain infrastructure) - Introduce safeguards of futures markets, hedging and risk insurance for agri exporters - Climate conserving agriculture methods - organic farming, low use of fertilisers - MSP reforms to eliminate cereal centrality and boost nutritional security through pulses, etc 		1980s	2015	Response ratio	41	14												
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Response ratio	41	14																		
<p>5. <input checked="" type="checkbox"/> What is your opinion on the view that the economic reform process has largely bypassed agriculture? (15,2015)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - The political economy of agriculture arises from interaction b/w 3 forces -- factor markets, role of rural commercial capital and globalisation <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<p><u>Evidence that NEP 1991 has largely bypassed agri</u></p> <ul style="list-style-type: none"> - Lower growth rates of agri vis-a-vis rest of the economy (RBI data) <table border="1"> <thead> <tr> <th></th> <th>1980</th> <th>1990</th> <th>2000</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Agri</td> <td>4.7%</td> <td>5.3%</td> <td>6.8%</td> <td>3.7%</td> </tr> <tr> <td>Overall</td> <td>2.9%</td> <td>2.8%</td> <td>2.4%</td> <td>2%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> - Declining share of agri in overall o/p <ul style="list-style-type: none"> • RBI: halved b/w 1990 (25%) and 2015 (12%) - Declining share of agri & allied sectors in gross capital formation - Fragmented landholdings + primitive labour market + partial mechanisation - Roy (2017) - decline in production and yield of major crops following economic reforms, with exception of pulses & oilseeds - Stagnant agri capital formation since 1980s - Decline in productivity of irrigation since 1990s - Rollback of social and development banking due to liberalisation <ul style="list-style-type: none"> • Declining share of branches in rural areas • Low credit-deposit ratio - Poor access to credit <ul style="list-style-type: none"> • Situational Survey of Agri Report - only 60% farmers can access credit; 85% of SMF dependent on informal sources - Declining public investment into research & extension services - Worsening ToT, declining income <p><u>This is a cause for concern because:</u></p> <ul style="list-style-type: none"> - Swaminathan: success of GR arose mainly due to agri research -- low R&D!! - Negative hh incomes due to losses suffered in cultivation in many parts - High indebtedness -- 52% agri hhs are indebted -- affects investment capacity into human resource development - Risk aversion of landowners, moneylenders -> opposition to broad based reforms, entry of new competition - Complementary, rather than substitution role of private and public capital formation -> decline in latter can NOT be compensated by increase in the former 		1980	1990	2000	2015	Agri	4.7%	5.3%	6.8%	3.7%	Overall	2.9%	2.8%	2.4%	2%			
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		<p><u>Gains to agri from NEP reforms (?)</u></p> <p>—</p> <p><u>Measures</u></p> <ul style="list-style-type: none"> - Structural reforms starting from factor markets - Promote diversification and modernisation of farm sector - Better marketing mechanisms, reduce role of intermediaries 			
Discuss the factors responsible for slow growth in agriculture in recent years. What steps ought to be taken for sustained growth in this sector? (12,2012)	<p><u>Intro:</u></p> <p>—</p> <p><u>Conclusion:</u></p> <p>—</p>				
Would you advocate that the income of rich farmers should be taxed in India? Give reasons. (10,2017)	<p><u>Intro:</u></p> <p>—</p> <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Should tax but only with proper administrative capacity & formulation - Extra revenue for state must not come at expense of welfare, especially of SMFs 	<p><u>Arguments in favour of income tax for rich farmers</u></p> <ul style="list-style-type: none"> - Only 0.4% of agri hhs have landholdings large than 10 hectare - NSS - taxing top 4% at ~30% would yield ₹25,000 crores as agri tax - NITI Aayog's 3 year action plan recommends taxing agri income - TARC - Tax Administration Reform Commission - tax exemptions abused by non-agriculturalists for money laundering and tax evasion - CAG - ₹500 crore worth tax exemptions approved without document verification - Vijay Kelkar Task Force 2002 - not taxing agri income violates both horizontal & vertical equity - Taxation would lead to better data quality -> facilitates targeted subsidy, income support schemes <ul style="list-style-type: none"> • Universal PM KISAN could be targeted and provide larger benefits to SMFs by rooting out large landowners from beneficiaries list <p><u>Arguments against</u></p> <ul style="list-style-type: none"> - Agri is state subject in the VII Schedule -- power of taxation lies with the State govts - Centre can only tax it if states pass a resolution under Art 252 - Cash transactions -> non-transparent financial exchanges, hard to capture in tax net - Improper formulation and implementation would further burden small farmers 			
What are the factors responsible for the large number of farmers' suicides in relatively richer Indian States? Examine. (15,2014)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - 7 states in India account for 85% of total farmer suicides in India - Incl - Maha, K'taka, MP, TN, Punjab - Mainly SMFs here <p><u>Conclusion:</u></p> <p>—</p> <p>NCRB Data - 75% of farm suicides in 2016 had <2ha of land ==> even in rich states, poor farmers are committing suicide --> Sen said relative poverty strong factor for absolute poverty in relatively richer communities</p>	<p><u>Reason behind concentration in affluent states:</u></p> <ul style="list-style-type: none"> - High input costs in agriculture in richer states <ul style="list-style-type: none"> • More mechanised • Greater dependence on irrigation & chemical inputs • More use of hired labour - Credit demand underserved by formal sector <ul style="list-style-type: none"> • Only 60% of farmers have access to formal credit • 85% of SMFs depend on informal sources of lending - Poor market integration -> unrealised profits - Poorer states have stuck to low risk production of foodgrains w/ subsistence methods <ul style="list-style-type: none"> • Sen, 1964 -- subsistence methods able to achieve productivity due to intensive use of family labour - Water crisis due to overexploitation of fossil groundwater reservoirs + inter-state water disputes -> impact on productivity - Populist measures (farm loan waiver) preferred over structural policies <ul style="list-style-type: none"> • Short term solutions leave core issues unattended - Urban bias in policies -> low public investment, GCF in agri <p>Govt band-aids: relief packages, loan waivers</p> <p><u>Potential enduring solutions</u></p> <ul style="list-style-type: none"> - Increase public investment in agri <ul style="list-style-type: none"> • Das & Sircar: o/p elasticity of subsidies (0.75) < o/p elasticity of GFCE (0.86) - Control inflation of input costs - Mechanisms for price discovery & market signalling - Elimination of intermediaries - Precision farming techniques to mitigate climate change impact & improve resource use efficiency - Adequate, inclusive institutional financing - Cooperative farming - Community led awareness programs 			
Distinguish between cooperative, contractual and corporate farming. Which of these is best suited for India and why? (20,2012)	<p><u>Intro:</u></p> <p>—</p> <p><u>Conclusion:</u></p> <p>—</p> <p>Need: 85% holdings below 2 ha 45% of total operated area below 2 ha</p>	<p><u>Cooperative farming</u></p> <ul style="list-style-type: none"> - Each farmer retains ownership of own plot of land - Cultivation done collectively on entire plot - Profits shared in ratio of land owned - Wages paid according to no. Of days worked - Eg SEWA led to dairy cooperative AMUL - Pros: <ul style="list-style-type: none"> • Enables economies of scale • Efficient access to inputs & transport, storage • Easier market access • Big agri investment and machinery now affordable • Scientific basis • Spirit of cooperation, public participation in planning, planning from below - Cons: <ul style="list-style-type: none"> • Lack of proper incentives -> free rider problem • N Appa Committee: Motivation behind formation is usually tax exemptions & financial assistance • Lack of mgmt skills • Slow progress -- <0.38% of cultivated land by 1969 • Cooperatives hijacked by large, powerful farmers - Steps in this dirn <ul style="list-style-type: none"> • 12th FYP - govt proposed land transfers to disadvantaged & women farmers - CASE: 1980s Andhra -- poor Dalit women formed small groups to buy land collectively for joint farming -- support from NGO - Deccan Development society in Medak District <p><u>Contractual farming</u></p> <ul style="list-style-type: none"> - Agreement b/w cultivators & marketing firms for production and ss under forward agreements, often at pre-determined quality & prices <ul style="list-style-type: none"> • Eg PepsiCo contract for potato cultivation - Marketing agency may also provide inputs like HYV seeds for quality - Pros: <ul style="list-style-type: none"> • Assured prices for farmers • Easy access to credit, inputs 			

		<p>- Cons:</p> <ul style="list-style-type: none"> • Improper formulation of contract could lead to exploitation of farmers • Market failures -- monopsony, info asymmetry • Exclusion of SMFs; involves large landowners for economies of scale • Promotes monoculture farming <p><u>Corporate farming</u></p> <p>- Agri on large areas, at very large scale using mechanisation and modern tech</p> <p>- Aimed at mkt demand</p> <p>- May also include marketing and distribution</p> <p>- Possibility of mixed farming to gain from complementarities</p> <p>- Pros:</p> <ul style="list-style-type: none"> • Scale economic • Drastic decrease in per unit production costs <p>- Cons:</p> <ul style="list-style-type: none"> • Loss of market for small farms • Overuse of chemicals -> envi degradation • Soil character changes • Monopolisation <p>- Steps in this dirn</p> <ul style="list-style-type: none"> • Model Contract Farming Act - 2017 <ul style="list-style-type: none"> ◦ Establishes an authority + bars transfer of ownership of land from farmer to corporate under ALL circumstances <p><u>Suitability in India</u></p> <p>- Indian agri characteristics</p> <ul style="list-style-type: none"> • Small landholdings • Subsistence agri mostly • Large dependent population <p>- Most suitable: Cooperative farming</p> <ul style="list-style-type: none"> • Does NOT force displacement • Facilitates easy input & market access <p>- Some ways to promote cooperative farming</p> <ul style="list-style-type: none"> • Grassroots level training program • Awareness of benefits of cooperatives • Local organisation to bring together farmers • Proper incentive design & reducing corruption 			
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Industry

Question	Intro/ conclusion	Body	Data/ reports	Graphs/ charts	Misc - Linkage w/ Paper 1, etc										
Trends in Composition and Growth		<input type="checkbox"/> Kaldor's Growth Laws - Gaurav's notes													
1. Elaborate on the phenomenon of 'missing middle' in Indian manufacturing sector. (10,2018)	<p><u>Intro:</u></p> <p>- Missing middle refers to the leapfrogging of the Indian economy from agri dominated to service dominated without going through a phase of manufacturing domination.</p> <p><u>Conclusion:</u></p> <p>- ES 2020: medium industries have more potential than small industries</p> <p>- Govt should establish a sunset clause on benefits to MSME to promote growth</p>	<p><u>Features</u></p> <p>- Missing middle = concentration of small/ micro firms at one end and some large firms in each sector at the other; few middle sized firms</p> <p>- Mfg stagnant at 15-16% of GDP</p> <p>- v/s China - 42% GDP</p> <p>- Contrast w/ other dypng economies</p> <p>- Agri decline mostly absorbed by service sector</p> <p><u>Reasons:</u></p> <p>- Rigid labour laws -- high cost of compliance + exemptions for micro, small industries -> industries prefer remaining small</p> <p>- MSMEs given various tax incentives & subsidies -- low growth to remain in the same category -- ES 2019 - 'dwarf MSMEs'</p> <p>- Some sectors were reserved for MSMEs -- can't follow scale expansion in those</p> <p>- MRTTP -- prevented growth of small firms</p> <p>- Inward orientation in late 60s to early 80s -- import substitution</p> <p>- Public sector as 'commanding heights' of economy</p> <p>- Restriction on growth of private sector -- MRTTP, License</p> <p>- Import substitution strategy focused on capital goods</p> <p>- Lukewarm pvt sector participation in consumer goods mfg sector</p> <p>- NEP 1991 more focused on service sector liberalisation</p> <p><u>Implications:</u></p> <p>- Jobless growth</p> <p>- All successful dypng nations focused on mfg -- S Korea, HK, Singapore, Taiwan</p> <p>- Demand led growth -- not sustainable in absence of mfg as mfg is demand creating</p> <p>- Predominance of <u>low value exports</u> as value addn absent</p> <p>- Missed on chance for ELG - Asian Tigers</p>	<p>- Krishna (2013) -- 5 phases of ind gr since 1951</p> <table border="1"> <tr> <td>1951-52 to 66-67</td> <td>Evolution of industrial development strategy</td> </tr> <tr> <td>1967-68 to 80-81</td> <td>Inward orientation and industrial stagnation</td> </tr> <tr> <td>1981-82 to 90-91</td> <td>Deregulation, acceleration of growth</td> </tr> <tr> <td>1991-92 to 00-01</td> <td>Economic reforms and service led growth</td> </tr> <tr> <td>2002-03 to 08-09</td> <td>Recovery in industrial growth since 2002-03; Recent industrial growth 2008-09 to 2013-14 & 2014-15 to 2015-16</td> </tr> </table>	1951-52 to 66-67	Evolution of industrial development strategy	1967-68 to 80-81	Inward orientation and industrial stagnation	1981-82 to 90-91	Deregulation, acceleration of growth	1991-92 to 00-01	Economic reforms and service led growth	2002-03 to 08-09	Recovery in industrial growth since 2002-03; Recent industrial growth 2008-09 to 2013-14 & 2014-15 to 2015-16		<p>☹ - Who observed 3 phases of industrial gr?</p>
1951-52 to 66-67	Evolution of industrial development strategy														
1967-68 to 80-81	Inward orientation and industrial stagnation														
1981-82 to 90-91	Deregulation, acceleration of growth														
1991-92 to 00-01	Economic reforms and service led growth														
2002-03 to 08-09	Recovery in industrial growth since 2002-03; Recent industrial growth 2008-09 to 2013-14 & 2014-15 to 2015-16														
2. How can the organised manufacturing sector be revived as an engine of inclusive growth? (10,2018)	<p><u>Intro:</u></p> <p>- OECD defines inclusive growth as an economic growth that creates <u>opportunity for all segments</u> of the population and <u>fairly distributes</u> the dividends of increased prosperity, both in monetary and non-monetary terms, across society.</p>	<p><u>Manufacturing for opportunity creation</u></p> <p>- Employment generation</p> <p>- Productivity growth and innovation</p> <p>- Spur growth in other sectors through forward & backward linkages</p> <p>- Production for export -- forex earnings</p> <p><u>Manufacturing for fair distribution</u></p> <p>- variety of roles, open to different skill levels and expertise</p> <p>- Caters to demands of varied sections of society, increasing utility</p> <p>- Fosters further consumption led growth</p> <p><u>Revival measures</u></p> <p>- Improve capacity utilisation</p>			<p>- Vakil-Brahmananda Wage Goods model</p>										

Conclusion:
 -As an engine of inclusive growth, manufacturing directly supports SDG 12 (responsible production & consumption) and also has a role in attainment of other SDGs through inequality reduction (SDG10), bringing gender equality (SDG 5) and sustainable communities (SDG 11)

- Encouraging alternative technologies
- Environment friendly innovations for sustainability
- Power sector reforms -- quality, even distribution
- Incentivise production
- Defence production
- Skilled workforce
 - ILO: 50% of India's workforce would need reskilling by 2030
- Stability and predictability in regulatory, legal, envi, taxation areas
- Provide access to capital at competitive prices -- for every section of society
- Introduce 'single window' approval system in all states
- Set up 'mfg clusters', w/ special focus on rural areas
- Logistics infrastructure to decrease share of logistics cost in production process
- NITI: need for further liberalisation to improve export potential of mfg
- Quality improvement of Indian mfg
 - Eg Zero Effect, Zero Defect Scheme

competitiveness	- De-reservation policy
Price efficiency	
Free entry & exit	- IBC 2016
Credit access	
Moving up the value chain	
Export share	

3. What is the **broad trend of the manufacturing sector's relative share in GDP in India** over the last four decades? How do you view its performance and what actions does the govt contemplate in this matter? (20,2017)

Intro
 -
 Conclusion:
 -
 4 decades -- 1980s onwards

Broad trend:
 -stagnated around 15%

Reasons for stagnation -- '60s and '90s
 -(Below)

Performance

- Period wise

80s

- Industrial recovery
- Rise in IIP gr rate from 6.4% (1981-85) to 8.5% during 7th FYP
- Improved productivity performance (Ahluwalia)

90s

- fluctuations
- Revival of industrial growth since the 10th FYP
- Marked w/ 'capital goods sector' acceleration
- ES: all broad sectors of IIP witnessed volatility in gr, especially capital goods sector & intermediate goods sector
- Industrial sickness - >40% debt ridden companies are IC1 (ES 2017)

Causes of performance

- Period wise

-80s

- New Industrial Policy
- liberal fiscal regime (high budgetary deficit, massive borrowing, encouragement of dissaving)
- Mature phase of GR -> +ve contribution of agri sector
- Service sector gr -> dd side effects
- Marked resurgence in infra investment (9.7% in 1979-80 to 18.3% in 1986-87)

-90s

- Liberalisation measures
- Reduction in licensing, simplification of rules & regulations
- Greater foreign equity participation
- Rationalisation & reduction of customs and excise duties, personal & corporate income tax
- PSU disinvestment

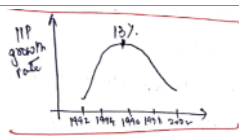


-00s

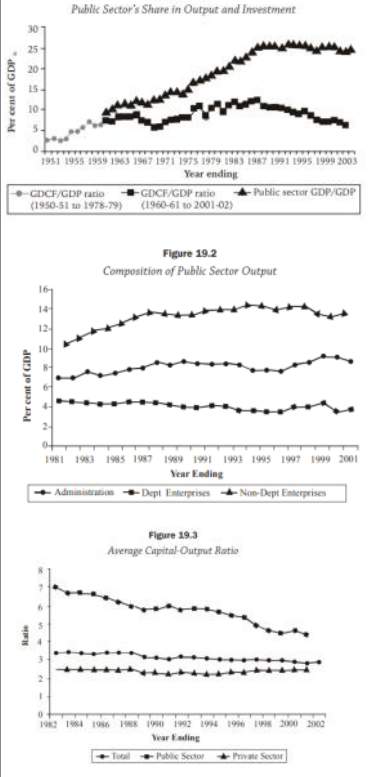
- Boom period - inv-GDP ratio spiked to 38% by 2007
- Too much leverage
- Entrepreneurial incompetence
- Financial crisis 2008
- Policy paralysis (Raghuram Rajan) -- land, envi clearances
- RBI increased interest rates to control double digit inflation
- Sharp increase in financing cost

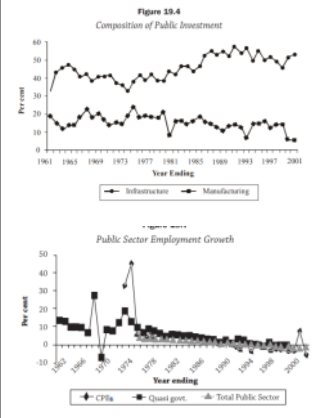
Actions by govt (more details here)

- Make in India
- National Mfg Policy 2011
- Aatmanirbhar Bharat
- PLI scheme
- MSME support --
 - MUDRA - refinance
 - ---
- Exports - RoDTEP scheme
- Startup India Scheme
- IBC
- Credit access
- NITI Aayog -- proposed 4 labour code; recently govt is working to get approval from parliament on those labour code
- Skill India mission -- launched to improve skills of workforce
- GeM - mandates govt procurement from local vendors
- Govt introduced IBC to deal w/ bankruptcy
- Indian govt launched ₹100 lakh cr infra - pipeline to improve infra
- Make in India -- scheme was launched to attract foreign players in mfg

- Krishna (2013) - 5 stages of industrial growth -- 3 of these in the last 4 decades

<p>4. Explain the principal causes of deceleration in industrial growth during the mid-1960's to mid-1970's in India. Do you think that the reasons for the slowdown in industrial growth since the late 1990s are basically different from those of the earlier deceleration? Answer with proper arguments. (20,2019)</p>	<p><u>Intro</u> - Krishna (2013) describes 5 phases of industrial growth in India. Here we explore the 2nd phase (1960s and 1970s) and the 4th phase (late 1990s).</p> <p><u>Conclusion</u> ---</p>	<p>- Govt -- measures to improve EoDB; emphasis has been on simplification and rationalisation of the existing rules & intro of info tech to make governance more efficient & effective</p> <p><u>Economic policies of mid 1960s-70s</u> - Growing restrictions - MRTP Act 1969 - license raj - Commanding heights economy - Turn towards more socialist pattern -> greater expenditure on social welfare than investment in mfg</p> <p><u>Principal causes of industrial deceleration in mid 1960s to 1970s</u> - Wars of 1965, 1971 - Drought conditions in same years -- 1965-66-67 - Oil crisis of 1973 (Yom Kippur) and 1979 (Iranian revolution) - low growth in agri sector (KN Raj) - Slackening in real investment (TN Srinivasan, P Patnaik) - High ICOR - Restricted dd for industrial goods b'cos inequalities</p> <p><u>Economic policies of 1990s</u> - LPG reforms - Liberalisation -</p> <p><u>Principal causes of slowdown since late 1990s</u> - Marked by considerable fluctuation - Lack of consistency in growth performance - Exposure to external competition - Investment slowdown as IMF provisions forced govt to drastically cut down on public expenditure - Credit & funding constraints -- spike in NPAs - Erosion of consumer confidence w/ stock market scams - Sluggish export growth - Inverted duty structure, esp in fertilisers, refineries - Contraction in consumer dd <ul style="list-style-type: none"> • Low agri gr in rural • Fall in equities, real estate mkt in urban </p> <p><u>Different factors</u> - 1960s had closed economy; affected mainly by non-economic factors -- war, drought; these were worsened by poor state of economy in agri and inefficiency in mfg (ICOR) - 1990s slowdown due to turmoil of economic changes;</p> <p><u>Similar factors</u> - Lack of demand - Low investment scenario - Supply side constraints</p> <p><u>impact</u> -</p>	<p>- KN Raj: low gr in agri led to slowdown in industrial growth - TN Srinivasan & NSS Narayana: slackening of real investment, esp in public sector - Prabhat Patnaik - <ul style="list-style-type: none"> • slackening of real investment argument • High ICOR </p>	 <p>Graph showing 5 phases</p> <p>Figure 1 Growth Rates of Industrial Production 1981-82 to 1990-91 (Base Year 1980-81=100)</p>  
<p>Sarthak's answer</p>	<p><u>Industrial growth</u> came to a halt between 1964-1980, <u>growing slower than GDP</u> and reducing the <u>possibility</u> of industrialisation-driven poverty alleviation.</p> <p><u>Causes</u></p> <ul style="list-style-type: none"> - <u>Industrial licensing</u> at its peak <ul style="list-style-type: none"> o C Raizopalachari's 'license-permit-Raj' characterisation - <u>Import controls</u> and <u>restrictions strengthened</u> <ul style="list-style-type: none"> o According to <u>Bhagwati</u>, this <u>encouraged</u> inefficient Indian firms to <u>thrive</u> -- <u>import competition</u> might have helped improve their <u>efficiency</u> - For the <u>first half</u>, <u>agri. grew very slowly</u> and <u>frequent droughts happened</u> <ul style="list-style-type: none"> o Reduced <u>demand for industrial output</u> due to significant <u>backward and forward linkages</u> between the <u>two sectors</u> - Shock from <u>nationalisation of banks</u> in 1969 <u>dried credit for some time</u> - For the <u>few exporting enterprises</u>, <u>global growth slowed</u> in <u>early-1970s</u> with <u>oil-price shock</u> and <u>stagflation</u> in advanced countries - <u>Rising inflation domestically</u> <ul style="list-style-type: none"> o <u>Oil price shock</u> + supply chain <u>bottlenecks magnifying</u> - Corruption, political instability (Emergency) and <u>war in 1971</u> <p><u>Causes of post 1997-slowdown</u></p> <ul style="list-style-type: none"> - <u>Spare capacity</u> was <u>exhausted</u> post reforms between <u>1991 and 1997</u> - <u>Monetary tightening</u> post <u>1997</u>: <u>real interest rates rose</u> - <u>Asian Economic Crisis</u> reduced <u>global growth</u> - <u>Insufficient progress</u> in <u>factor market reforms</u> (land, labour) - <u>Reform momentum slowed</u> <ul style="list-style-type: none"> o <u>Disinvestment</u> proceeded <u>very slowly</u>, <u>current account</u> only slowly <u>introduced</u> - Competition <u>from cheap imports</u> - Slowdown in <u>agriculture</u> post 1991 (<u>growth</u> roughly <u>2%</u> in that <u>decade</u>) <u>reduced industrial demand</u> - <u>Political instability</u> between <u>1996-1999</u> <p><u>Conclusion</u></p> <p>Although some <u>commonalities</u> exist, the reasons behind the two <u>decelerations</u> are <u>different</u> as pointed out by <u>R. Nagaraj</u> too. The <u>former</u> was the <u>outcome</u> of the <u>peak of the industrial licensing</u> regime <u>while the latter</u> was a <u>short-term consequence</u> of reforms (industrial growth was roughly <u>10%</u> the next few years post 2003). Demand <u>factors from agriculture</u> and <u>global slowdown</u> along with <u>political instability</u> are <u>common factors</u>.</p>			
<p>Role of Public & Pvt Sector</p>				
<p>1. Comment on the <u>role of</u></p>	<p>- Intro: ---</p>	<p><u>Positive role of public sector</u> - Declared aim -- not profit making but social objectives - Laid down the foundations of industrial growth under Mahalanobis</p>	<p>- Bhagwati & Desai - deliberate under pricing by PSUs led to profits foregone, distortion of choice of</p>	

<p><u>public sector during the early phase of industrial development in India.</u> (10,2020)</p>	<p>- Conclusion: - ___</p>	<p>plan - 4-fold classification of industries -- public sector, licensed, _ssi?_, open - Emphasis on dypment of capital goods and basic industries - Govt engaged in sectors with low inclination and resources w/ pvt sectors - Large scale mobilisation of resources for feeder networks -- roads, railways - Fostered SSIs -- <ul style="list-style-type: none"> • Volume restrictions in large scale • Differential taxation/ subsidies • Reservation of certain products - Strategic investment in backward areas to address regional disparities - Economies of scale - Check against conc of power, inequalities</p> <p><u>Limitations</u> - Inward orientation & import substitution strategy led to industrial deceleration and structural retrogression - Command economy inhibited organic market growth based on dd - Public utility approach and deliberate under pricing -- distortions (Bhagwati & Desai) - Industrial sickness - Peter Pan syndrome in SSIs - Planning, implementation issues - corruption, cost escalation - Capacity underutilisation</p>	<p>technique by user industries (excessive use of steel, urea) - R Nagaraj - deterioration of revenue-cost ratio for SEBs, railways, road transport - Vijay Kelkar -- use of low quality local raw materials</p>	
<p>2. <u>Critically examine the relative contributions of public and private sectors in pre-liberalisation period in India.</u> (10,2018)</p>	<p>Intro: - ___</p> <p>Conclusion: - ___</p>	<p>- Public sector - Pros and cons above</p> <p><u>Private sector:</u> - Pros: <ul style="list-style-type: none"> • _ - Cons: <ul style="list-style-type: none"> • _ </p> <p>After independence focus on public sector increased. The share of public GCF in total GCF doubled between 1st and 3rd FYP to 50%. Earlier public sector was expected to step in where private sector would find it difficult. But after second FYP it sought to control commanding heights of the economy.</p> <p>Public sector was largely confined to capital goods industry. While private sector was confined to consumer goods industry. Before 1991 there were many trade restrictions, license requirements and laws to regulate private sector. It led to limited contribution of private sector in the economy.</p> <p>On other hand industrial growth was largely dominated by public sector. However after 1980, profit in public sector start falling. At the same time there were some liberalization reforms like reducing license, increasing MRTP limit. It lead to increase in private sector contribution.</p>		
<p>3. <u>Delineate the trends in the growth and industrial composition of public sector in India during the pre-liberalisation period.</u> (20,2012)</p>	<p>- Strategy: divide into decades and then proceed with policies for trends - Composition would depend on the same policies</p>	<p>- 1950s - 1960s - 1970s - 1980s</p> <p><input type="checkbox"/> Add content from Nagaraj paper - Ch19 -- graphs from the same source</p>		 <p>Figure 19.1 Public Sector's Share in Output and Investment Percent of GDP, 1951-2003 Legend: GDCF/GDP ratio (1950-51 to 1978-79), GDCF/GDP ratio (1960-61 to 2001-02), Public sector GDP/GDP</p> <p>Figure 19.2 Composition of Public Sector Output Percent of GDP, 1981-2001 Legend: Administration, Dept Enterprises, Non-Dept Enterprises</p> <p>Figure 19.3 Average Capital-Output Ratio Ratio, 1982-2002 Legend: Total, Public Sector, Private Sector</p>



Small Scale & Cottage Industries

1. What are the major problems faced by the SSIs? Examine the role of the MSMED Act, 2006, in enhancing productivity of SSIs in India. (20,2020)

Intro:
-SSIs are not legally defined in India but form a part of MSME
- 'Small' Industries under the MSMED Act are firms with income b/w 1 and 10 cr and turnover b/w 5 and 50 cr.
Conclusion

Challenges
-Triple bind in financing & credit
-Infra constraints - power, transport, machinery
-Inverted tariff structure
-Obsolete machinery & equipment
-Marketing issues
-Delayed payments
-Little bargaining power
-Poor database -- only 2 sources of info - SIDO & CSO
-Adverse effect of economic reforms --
• Competition w/ cheap imports, better quality
• Strategic dumping & int'l economies of scale

Salient features of MSMED Act, 2006
-Estb of statutory National Board from MSMEs
-Establishment of specific funds for promotion and dypment of competitiveness
-Preference in govt procurement
-Simplification of closure process
-Streamline inspection procedure
-Improve procedures to address issue of delayed payments

Role of MSMED Act in enhancing productivity
-Reclassification is non-discriminatory & transparent
-Specific attention to competitiveness
-Easy exit -> loss making firms can exit, frees up capital
-Govt procurement -> mkt access
-Streamlined inspection -> extortion less likely

- Other measures

Credit access	- 59 min loan portal - 2% interest subvention - TReDS platform
Market access	- Govt e-commerce platform for MSME products & KVIC - Mandatory procurement by PSUs - 25% - >40,000 MSMEs on GeM portal for buyer outreach
Tech access	- 20 hubs & 100 spokes -- tool rooms to facilitate product design
Quality & export issues	- ZED certification - Govt subsidy for product certification licences from national, int'l bodies
EoDB	- Computerised random allotment for inspection visits - Only once a year filing under various laws - Air & water pollution clearance merged

- **Sebastian & Morris's triple bind** problem in finance and credit (bank reluctance, high chances of default, transmission of financial issues of large firms)
- CASE Study: township & village enterprise of China
- SIDO - Small Industries Development Org

2. What role are MSMEs playing in India's economic growth? (10,2017)

-Intro:
-MSMEs are defined under MSMED Act, amended in 2020 (table)
-Conclusion:

Significance
- 2nd largest employer -- 125 mn employees in 56 mn units
- Labour intensive nature -> highest emp generation per capita of investment
- 29% share in GDP
- 45% export share
- Efficiency
• ASI (1960) found SSIs to be more efficient
- Emp gen per ₹1 lakh invested in MSMEs = 1.39 v/s 0.2 in large mfg (All India Census of SSI)
- Equitable distribution of national income
- Mobilisation of capital and entrepreneurial skill
- Regional dispersal of industries
- Less industrial disputes
- Instruments of Inclusive growth -- mostly owned by women, SC, ST, minorities
- High backward & forward linkages
- Low set up costs -- input capital requirement is low
- Competitive advantage in meeting small order qties

Challenges:
- Low productivity due to obsolete tech
- Low employment generation -- <2/ unit
- Low GDP share compared to employment (~40%)

- Defn table

	Income	Turnover
Micro	1 cr	5 cr
Small	10 cr	50 cr
Medium	50 cr	250 cr

- **Dhar & Lydal** - modern MSMEs are fairly K intensive
- **Biswanath & Goldar** - low L productivity, high K productivity, low K intensity, low TFP

- Mittelsta nd - German concept of family ownership of MSMEs w/ long term focus, independence and strong regional ties

		<p>- Dhar & Lydall - modern MSMEs are fairly K intensive</p> <p>- Biswanath & Goldar - low L productivity, high K productivity, low K intensity, low TFP</p> <p>Govt's moves</p> <p>- TReDS platform</p> <p>- PHEMEP</p> <p>- MUDRA</p> <p>- Credit Guarantee Schemes</p>		
3. What was the impact of policy reservation in favour of small-scale industries in India during the post-independence but pre-liberalisation era? (10,2015)	(below)	<p>For the past 60 years, India has attempted to boost employment growth by shielding small manufacturing establishments. This policy has significant impact on India's economic development.</p> <p>Impact of small scale industries</p> <p>According to Shanti Natraj reservation has impacted growth of industry. Once a product was de-reserved, the number of establishments making that product increased by nearly 15% and employment by 50%.</p> <p>SSI reservation have resulted in substantial misallocation of resources and productivity losses to the Indian economy IT led to lower capital accumulation and thus the overall demand for labour and the market wage rate are much lower.</p> <p>It also lead to high prices. It made Indian export uncompetitive. It is measure reason for missing middle syndrome.</p> <p>Looking at negative side of reservation, Govt gradually de reserved industries for SSI.</p>	<input type="checkbox"/> IIM Calcutta paper (filename: SSI reservations) <input type="checkbox"/> A Martin Paper (in with the big)	
4. A number of production lines were reserved for the small-scale sector in the pre-liberalisation period. Did such reservation achieve its objectives? Explain in detail. (30,2012)	<p>- Intro</p> <p>- Introduced in 1967; only 47 product lines reserved</p> <p>- Sharp spike since 1977</p> <p>- Conclusion</p> <p>- Thus, it didn't work as wanted. Production lines have slowly been de-reserved with the last 20 products being de-reserved by 2018.</p>	<p><u>Aims of Reservation policy</u></p> <p>- To enhance competitiveness</p> <p>- Actually some version of infant industry argument</p> <p>- Employment generation, poverty alleviation</p> <p>- Pros</p> <p>- —</p> <p>- Cons</p> <p>- Inhibits possibilities based on tech, economies of scale</p> <p>- Benefits of de-reservation</p> <p>- More investment</p> <p>- Better tech</p> <p>- Enhance competition</p>		

[Top](#)

New Economic Policy and Industry

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc
Strategy of Industrialization					
1. Critically examine the new manufacturing policy, 2011 for fostering industrial growth in India. (15,2020)	<p>- Intro:</p> <p>- Notified by DIPP, with the main objective to enhance GDP share of mfg to 25% from 16% and create 100 mn jobs by 2022</p> <p>- ++ improvement of core infra, creation of financial & institutional mechs for tech dvpment + boost domestic capacity to enhance exports</p> <p>- Overall -- enhance global competitiveness of Indian mfg</p> <p>Conclusion:</p>	<p>- Features of NMP 2011</p> <ul style="list-style-type: none"> • Principle: industrial growth in partnership w/ states • Enabling policy fw by Centre • Incentivises PPP mode for infra dvpment • Skilling of rural youth <p>- Instruments</p> <ul style="list-style-type: none"> • Incentives for SMEs • Industrial training, upskilling of youth • Rationalisation, simplification of business regulations • Simple and expeditious procedure for closure of units • Promotion of green mfg • NIMZs -- integrated industrial township w/ SOTA infra, tech & skill dvpment facilities <p>- Pros</p> <ul style="list-style-type: none"> • Training and skill dvpment -> industry ready workforce • Better labour productivity • Clustering and agglomeration of companies in NIMZs - external economies of scale • Tech acquisition & dvpment incentivised through tax concessions, subsidies for SMEs • Better EoDB due to regulatory reforms, quick clearances • Exit mechanisms under NIMZs well addressed • Attracts FDI through easier FDI regulations <p>- Cons</p> <ul style="list-style-type: none"> • Poor enforcement and implementation • — 	- China's mfg share - 42% of GDP		- Kaldor: mfg is the engine of growth

<p>2. Evaluate the Competition Act, 2002 relative to the MRTP Act. (10,2019)</p>	<p><u>Intro</u> -The Competition Act 2002 was introduced on recommendation of the Raghavan committee. -Significant shift from trade restrictive to trade promoting practices</p> <p><u>Conclusion</u> -</p>	<p>-Background • The MRTP 1969 act symbolised the 'socialist' principles of the govt at the time, under which concentration of</p> <p>-Comparison</p> <table border="1" data-bbox="437 181 1171 430"> <tr> <td data-bbox="437 181 715 383"> <p><u>MRTP</u> -Focus: controlling the conc of economic power -Size of undertaking was major issue -Concerned with the very dominance exerted by a firm -Main instrument: prohibition</p> </td> <td data-bbox="715 181 1171 383"> <p>Competition Act -Focus: ensure free and fair competition in the market -Size: no longer issue -Sukhamoy Chakraborty: size becomes an issue only when consumer interests are compromised -Was concerned w/ abuse of dominance -Main instrument - regulation -Recourse: COMPAT - Competition Act Tribunal to hear appeals against CCI</p> </td> </tr> <tr> <td data-bbox="437 383 715 430"> <p>Didn't deal w/ unfair practices</p> </td> <td data-bbox="715 383 1171 430"> <p>Deals w/ unfair trade practices -- eg Notice send to Amazon over alleged unfair trade practices</p> </td> </tr> </table>	<p><u>MRTP</u> -Focus: controlling the conc of economic power -Size of undertaking was major issue -Concerned with the very dominance exerted by a firm -Main instrument: prohibition</p>	<p>Competition Act -Focus: ensure free and fair competition in the market -Size: no longer issue -Sukhamoy Chakraborty: size becomes an issue only when consumer interests are compromised -Was concerned w/ abuse of dominance -Main instrument - regulation -Recourse: COMPAT - Competition Act Tribunal to hear appeals against CCI</p>	<p>Didn't deal w/ unfair practices</p>	<p>Deals w/ unfair trade practices -- eg Notice send to Amazon over alleged unfair trade practices</p>			
<p><u>MRTP</u> -Focus: controlling the conc of economic power -Size of undertaking was major issue -Concerned with the very dominance exerted by a firm -Main instrument: prohibition</p>	<p>Competition Act -Focus: ensure free and fair competition in the market -Size: no longer issue -Sukhamoy Chakraborty: size becomes an issue only when consumer interests are compromised -Was concerned w/ abuse of dominance -Main instrument - regulation -Recourse: COMPAT - Competition Act Tribunal to hear appeals against CCI</p>								
<p>Didn't deal w/ unfair practices</p>	<p>Deals w/ unfair trade practices -- eg Notice send to Amazon over alleged unfair trade practices</p>								
<p>3. 'Though economic liberalisation in India in the mid-90s aimed at industrial growth, actually the services sector led the economy.' Elucidate. (10,2017)</p>	<p><u>Intro</u> -Economic reforms 1991 had immediate and medium term aim to resolve the BoP crisis. However, the structural reforms initiated had long term effects as well.</p> <p><u>Conclusion</u> -</p>	<p>- Liberalisation measures • Abolition of MRTP; replacement by Competition Act • De-reservation of sectors for private sector participation, except atomic energy, railway and defense mfg</p> <p>-Service sector >> mfg sector - industrial share in GDP remain stagnated at 28% - while service sector share increased to 60% from 40%. - Role of PSU decline after 1991. • It reduced public sector share in the industries.</p> <p>- However due to rigid labor laws, land acquisition laws, cost of tax compliance, low ease of doing business prevented growth of private sector in industry. Thus share of industries remain same in nation income. - On other hand service sector is less labor and land intensive sector thus growth of this sector increased significantly (Reduces compliance cost for labor laws). - At the same time USA was seeing boom in IT sector. - Combine it with LPG reforms, service sector got opportunities to exploit its competitiveness to increase export.</p>							
<p>4. The industrial development agenda framed by the Industrial Policy, 1956 transformed the Indian economy substantially from an agricultural to an industrial economy. Elucidate. State in brief <u>sectoral composition of growth during the period before 1990.</u> (25,2013)</p>									
<p>5. How does the strategy of industrialisation on under the New Economic Policy promote productivity growth in manufacturing industries in India? Explain. (15,2019)</p>	<p><u>Intro</u> - NEP = LPG reforms in 1991</p> <p><u>Conclusion</u></p> <table border="1" data-bbox="229 1397 413 1496"> <tr> <td></td> <td>1991</td> <td>1996</td> </tr> <tr> <td>Industrial growth rate</td> <td>2.3%</td> <td>13%</td> </tr> </table> <p>-> sharp increase in growth rate is clear testament to increased productivity</p>		1991	1996	Industrial growth rate	2.3%	13%	<p><u>Effect of liberalisation productivity gr</u> - Abolition of License Raj -> increased competition and competitiveness - Restrictions of MRTP Act relaxed, later replaced by Competition Act, 2002 -> helped expansion of firms -> scale economies - Competition Act -- promoted competition and productivity gr - Industry & mkt grows -> network of positive externalities created -> economies of scope & scale</p> <p><u>Effect of privatisation on productivity gr</u> - Creates revenue for govt -> invested in social & physical infra -> infra necessary for productivity - Nagraj: PSU inefficient due to over-staffing • Privatisation ensures rationalisation of work force - Chibber & Gupta -- disinvestment has a very strong positive effect on labour productivity, overall efficiency of PSUs in India - Post disinvestment returns in no. Of former PSUs have increased -- Maruti, BALCO</p> <p><u>Effect on globalisation on productivity gr</u> - Increased competition -> mfg forced to increase productivity to remain competitive - Attracted FDI -> FDI brought new tech -> more efficient production • Amazon brought logistics tech in India - Globalisation -> larger markets for industrial o/p -> int'l economies of scale</p>	
	1991	1996							
Industrial growth rate	2.3%	13%							
<p>6. What are the main components of the National Manufacturing Policy, 2014? Discuss. (15,2015)</p>	<p>(in Q1)</p>	<p>Recently GoI launched National Manufacturing policy (NMP 2014) which aims at increasing the share of manufacturing in the country's GDP from the current 16% to 25% by 2022.</p> <p>Main components of NMP 2014</p> <p>The National Manufacturing Policy aims to create 100 million additional jobs in the next decade. It will help in solving problem of jobless growth. The draft policy envisages establishment of National Investment and Manufacturing Zones (NIMZ) equipped with world-class infrastructure that would be autonomous and self-regulated developed in partnership with the private sector. Industrial training and skill up-gradation measures for young work force. Rationalization and simplification of business regulations to improve Ease of Doing Business. Simple and expeditious procedure for closure of units. It will help in transfer of resources to productive sector. Financial and institutional mechanism for technology development including green technology. It will help in promotion of sustainable development. The policy is based on the principle of industrial growth in partnership with the States. The Central Government will create the enabling policy frame work, provide incentives for infrastructure development on a Public Private Partnership (PPP) basis through appropriate financing instruments, and State</p>							

Governments will be encouraged to adopt the instrumentalities provided in the policy.

7. Discuss the recent initiatives for augmenting power generation in India. (10,2015)

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Current Status	<ul style="list-style-type: none"> Due to govt efforts- universal electrification target increased installed capacity to 3,64,960 MW in 2019; Structure of the power sector in India: three main processes <ul style="list-style-type: none"> Power generation: compounded annual growth rate (CAGR) of 8.9% between 2006 and 2018; India 3rd largest electricity generator; <u>world energy statistics</u> by IEA- 106th position in per capita consumption in 2017 Transmission: CAGR of 7.2% between 2012-18, raising India's capacity to 3.9 lakh km (circuit kilometre) Distribution: 3rd stage is distribution to all consumers by DISCOMs (UTs directly by centre ; states by state govt) Private DISCOMs limited to few cities: Tata Power Delhi Distribution Ltd and Reliance Energy Ltd in Mumbai 																								
Issues	<ul style="list-style-type: none"> Old inefficient plants continue whereas efficient plants are underutilized Thermal capacity addition is plagued by the growing fuel availability concerns faced by the industry <ul style="list-style-type: none"> While a significant gas based capacity of more than 20,000 MW is idle due to nonavailability of gas. Coal supplies by CIL is restricted to around 65% of actual coal requirement by coal based thermal plants, leading to increased dependence on imported coal with the cascading result of high power generation costs Increasing power generation costs due to limited fuel, poor financial health of State Discoms, high AT&C losses: <ul style="list-style-type: none"> Transmission and Distribution (T&D) or AT&C losses- 20% in 2015-16 mainly due to poor grid connectivity Vague Definitions of Electrification false sense of achievement, While all inhabited villages have now been electrified, only 1,321 have access to power Regulatory Commissions are only legally independent: unable fix rational tariffs; Unmetered power supply to agriculture lot of hidden demand because of unreliable supply and load shedding State power utilities not able to invest in facilities due to their poor financial health High industrial/commercial tariff and cross-subsidy regime have affected competitiveness of industrial sectors; <p>Key developments</p> <p><u>Draft Electricity (Amendment) Bill, 2020</u></p> <ul style="list-style-type: none"> seeks to amend Electricity Act, 2003 to address <ul style="list-style-type: none"> Poor financial condition of DISCOM Delays in adoption of tariff: by tariff policy of central govt but due to subsidy delays it is not cost reflective; 2003 Act does not specifically deal with the issues related to non-performance of the contract; multiple committees involved in selection of posts of Chairpersons and members Non Functional State Electricity Regulatory Commissions due to vacancies and delays in appointments Key provisions of the bill: <ul style="list-style-type: none"> An Electricity Contract Enforcement Authority (ECEA) having original jurisdiction upon contracts Single Selection Committee for Chairperson and Members of the APTEL, ECEA, the Central Commission, State Commissions and Joint Commissions Cost reflective Tariff and Simplification of Tariff Structure: subsidy by respective govt directly to consumers Reduction of Cross Subsidy: will be progressively reduced in the manner provided in the Tariff Policy Cross Border Trade of Electricity: by Central Electricity Regulatory Commissions (CERC) National Renewable Energy Policy (NREP) by Central Govt in consultation with states. Under it a minimum percentage of purchase of electricity from renewable and hydro sources of energy will also be prescribed Renewable Purchase Obligations (RPO) to include Hydro energy sources: The State Commissions are empowered to specify the RPO as per central guidelines Creation of National Load Dispatch Centre have been specified <p>Key developments related to Discoms</p> <p>Distribution is weakest link in India's electricity value chain due to-</p> <ul style="list-style-type: none"> Indebtedness: a/q to Ministry of Power's (MoP) payment ratification and analysis portal (PRAAPT): total outstanding dues of distribution firms rose over 47% to Rs 1.33 lakh crore in 2020 Financial incompetency: DISCOMs delaying payments to solar and wind energy developers in Andhra, TN, MP Operational inefficiencies due to AT&C losses (power theft, poor payment collection and inadequate tariff hikes) Increasing open access transactions: steep fall in prices of power by solar and wind energy customers to engage in private power purchase through open access Lack of political will and transparency in phasing out of energy subsidies Decline in demand during lockdown: Agri and domestic consumers pay lower tariff which is compensated by higher tariff for industrial establishments (lockdown, operations of industries came to a grinding halt) Lack of progress in earlier initiatives: For eg- UDAY: state governments took over 75% of DISCOMS' debt, issuing low-interest bonds to service the rest of the debt; program has not been able to help minimize DISCOM losses <p><u>Ujwal DISCOM Assurance Yojana (UDAY)</u></p> <p>To provide a permanent solution: debts of Rs.4.3 lakh crores and address potential future losses</p> <p>Features</p> <ul style="list-style-type: none"> DISCOMs with the opportunity to break even in the next 2-3 years through four initiatives (i) Improving operational efficiencies of DISCOMs; (ii) Reduction of cost of power; (iii) Reduction in interest cost of DISCOMs; (iv) Enforcing financial discipline on DISCOMs through alignment with State finances Tripartite agreement (MoU) between MoP, state governments and DISCOMs DISCOMs convert their debt into state govt bonds but are required to fulfill certain conditions such as AT&C loss reduction, mandatory metering, power purchase planning and performance monitoring. In lieu, state govt took over three-fourths of discom debts, thus reducing the interest burden: After UDAY debt fallen from ₹ 2.7 lakh crore to ₹ 1.5 lakh crore in FY17 Multi-Level Monitoring mechanism for UDAY; <p>CRISIL analysed DISCOMS in 15 states accounting 85% of aggregate losses. As per it, the downward trajectory is now expected to reverse: Reasons for reversal:</p> <ul style="list-style-type: none"> Limited Fiscal space- continuous financial support to their DISCOMS is difficult by states Operational Inefficiencies- in billing procedures, measurement of power consumption, and monitoring theft Increased Power Purchase Cost- input costs of coal and freight have gone up Lack of structural reforms- AT&C losses reduced by only 400 bps against target of 900 basis points Lack of adequate tariff hikes- avg increases by 3% per annum against the target of 5-6% . <p>Privatising Discoms</p> <p>Govt planning to privatise electricity DISCOMS in UTs by January 2021 as private players are more efficient, increases revenue and improve consumer services. For eg- AT&C losses in Delhi after the privatization in 2002 has been brought down from a high of 53% to around 8%</p> <p><u>Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)</u></p> <p>rural electrification came in 2005 with Rajiv Gandhi Grameen Viduyutikaran Yojana (RGGVY) but it failed; RGGVY was subsumed in DDUGJY, as rural electrification (RE) component</p> <table border="1" data-bbox="478 1366 1136 1568"> <thead> <tr> <th>major components</th> <th>Some features</th> <th>Significance</th> </tr> </thead> <tbody> <tr> <td>Separation of agri and non-agri feeders</td> <td>complete flexibility to state for selecting their priority</td> <td>Socio-Economic benefit: electricity helps education, health etc.</td> </tr> <tr> <td>Strengthening transmission & distribution infrast in rural area</td> <td>all villages eligible without any minimum population criteria</td> <td>Gender Empowerment: responsibility for collecting firewood, cooking and other domestic work</td> </tr> <tr> <td>Metering of distribution transformers/feeder consumers;</td> <td>all discoms including private, RE cooperative societies are eligible</td> <td>Improving Discoms Health: with meters, less losses etc</td> </tr> <tr> <td></td> <td>district development coordination and monitoring committee namely DISHA headed by senior most MP to review and monitor implementation of scheme</td> <td>Better Policy Formulation: for complete household electrification over the next two years</td> </tr> <tr> <td></td> <td></td> <td>Boost to rural demand</td> </tr> <tr> <td></td> <td></td> <td>Achieving Climate Commitment: decline in black marketing of kerosene oil</td> </tr> <tr> <td></td> <td></td> <td>SDG: Access to energy critical for human development, furthering social inclusion of poor & vulnerable in society</td> </tr> </tbody> </table> <p><u>Saubhagya Yojana</u></p> <p>provide electricity to > 4 crore families in rural & urban areas, Also called Pradhan Mantri Sahaj Bijli Har Ghar Yojana</p> <p>Key features: 1) electricity to all families in India 2) Funding Pattern is 60:30:10 bt central: bank loans: states 3) Govt will use SECC 2011 data to identify the beneficiaries 4) The Rural Electrification Corporation Limited will be the nodal agency 5) For those household where grid can't reach, solar power packs along with battery banks will be used 6) SAUBHAGYA PORTAL for information on household electrification status (state, district, village-wise), and household progress on live basis; All the States have reported electrification of all households on Saubhagya portal except few households in LWE affected Bastar region of Chhattisgarh;</p>	major components	Some features	Significance	Separation of agri and non-agri feeders	complete flexibility to state for selecting their priority	Socio-Economic benefit: electricity helps education, health etc.	Strengthening transmission & distribution infrast in rural area	all villages eligible without any minimum population criteria	Gender Empowerment: responsibility for collecting firewood, cooking and other domestic work	Metering of distribution transformers/feeder consumers;	all discoms including private, RE cooperative societies are eligible	Improving Discoms Health: with meters, less losses etc		district development coordination and monitoring committee namely DISHA headed by senior most MP to review and monitor implementation of scheme	Better Policy Formulation: for complete household electrification over the next two years			Boost to rural demand			Achieving Climate Commitment: decline in black marketing of kerosene oil			SDG: Access to energy critical for human development, furthering social inclusion of poor & vulnerable in society
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Way Forward	<ul style="list-style-type: none"> Promote smart grid and smart meters All purchasing power agreement should be based on competitive bidding Privatizing state distribution will reduce AT&C losses Regulatory bodies need to be strengthened and independent For agriculture: 1) subsidy through DBT and not separate subsidies for fertilizers, electricity, crop insurance etc; 2) Promote solar pumps for agriculture; 3) Local discoms should buy surplus from farmer; 4) Ensure cap on cross subsidy and open access; 4) promote cross-border electricity; 5) promote the use of renewable energy; 6) Introduce performance-based incentives in the tariff structure 7) introduce 100 % metering, smart meters, and metering of electricity supplied to agriculture; 																								

- The 750- megawatt Rewa solar Power Plant was established in Madhya Pradesh
- Shakti scheme was launched to make coal available to all the Thermal Power Plants of the country in a transparent and objective manner and at the same time ensure that the benefits of linkage coal are transferred to the end consumers.
- Jawaharalal Neharu national solar mission to establish 40 GW Rooftop and 60 GW through Large and Medium Scale Grid Connected Solar Power Project
- Scheme for development of large solar plants. Its aim is to provide a huge impetus to solar energy generation
- KUSUM scheme to enable farmers to set up solar power generation capacity on their fallow/barren lands and to sell it to the grid
- Scheme for biomass based co generation project aims to support Biomass based Cogeneration Projects in Sugar mills and Other Industries for power generation in the country.

8. Explain the recent policy

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1	<p>Oil and Gas</p> <p>Current</p> <ul style="list-style-type: none"> India's oil production is very low and has been declining (2019-20: 32.6 MMT) due to ageing oil fields and no major discoveries
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<p>initiatives for enhancing crude oil and natural gas production in India. (15,2015)</p>	<p>Status</p> <ul style="list-style-type: none"> Refining capacity: India 4th in world(US>China>Russia); India stands at 250 MMT Domestic Gas production in 2020: 31.8 billion cubic meters (BCM) Oil and Gas Supply Chain: <ul style="list-style-type: none"> Upstream Sector: They identify resource deposits and engage in the extraction from underground. Eg: ONGC, Oil India Ltd. Midstream sector: involves in transportation from blocks to refineries to distribution centers; Also includes storage Downstream sector: include refineries & marketing. Eg IOCL – 1st in India by sales & 2nd largest refiner (31% share) <p>Issues</p> <p>Oil & Gas:</p> <ul style="list-style-type: none"> Discriminatory access to gas pipelines for private and public sector does not exist Lack of market-driven gas prices disincentivizes production Gas pipeline infrastructure is inadequate <p>Coal</p> <ul style="list-style-type: none"> Unfavourable socio-economic environment in East India- expanding opencast mining even though damage is irreparable, rendering the land useless; <ul style="list-style-type: none"> Deforestation- rampant People displacement due to infertile land and non-availability of water Civil unrest: Coal reserves are concentrated in Maoist areas Increasing illegal mining and exporting of coal and Litigations goes on for years Rising imports- coz higher costs of domestic coal exacerbated by high railways costs, also better quality of imported coal and lower ash content Infrastructure- e.g. overworked railways Issues with coal India: Coal India produced a record 607 MMT but falling short by 22% of a target proposed in 2017 <p>Key developments</p> <p>Commercial coal mining</p> <p>Since nationalization in 1970s CIL and its associates had monopoly over mining and selling of coal. Recently, govt allowed private entities to enter into commercial mining without end use or price restrictions</p> <p>Expected benefits</p> <ul style="list-style-type: none"> Increased production and energy security: vision of producing 1.5 billion tonne of coal annually by 2022 Reduced imports: saving Rs 30,000 crore as currently 22% of domestic demand is imported despite India being 3rd largest coal producing country Benefit to power sector: 70% country's power generation from coal Improved efficiency: competition would attract investments and technologies from private and foreign players; However the sector should not get dominated by few private players since it's a capital intensive sector; also it should be compatible with clean energy targets ; <p>Hydrocarbon Exploration and Licensing Policy (HELP)</p> <p>2016. HELP replaced New Exploration Licensing Policy (NELP),</p> <p>Features of HELP</p> <ul style="list-style-type: none"> Uniform License: for conventional and unconventional oil and gas resources including CBM, shale and gas hydrates under a single license (at present separate licenses for each hydrocarbon) Open Acreages: gives option to select exploration blocks throughout the year without waiting for the formal bid Revenue Sharing Model: Present fiscal system of production sharing contract (PSC) is replaced by easy "revenue sharing model" Marketing and Pricing: provides for marketing freedom for crude oil and natural gas hence "Minimum Government – Maximum Governance"; <p>Pradhan Mantri Ujjwala Yojana (PMUY)</p> <ul style="list-style-type: none"> Aims: 8 crore free LPG connections to women from BPL households by 2020; Connection in the name of adult woman of the Family(Rs 1600/- support if no LPG connection exists) Recently beneficiaries covered extended; Earlier, included all BPL families under Socio-economic caste census 2011 now covers all SC/ST households, beneficiaries of Antyoday Anna Yojana (AAY), PMAY (Gramin), forest dwellers, most backward classes (MBC), Tea and Ex-Tea Garden Tribes, people residing in Islands or rivers island; i.e. will cover all the poor households of the country; Also new beneficiaries will identify themselves as poor through self declaration. <p>Unified gas price system</p> <ul style="list-style-type: none"> To boost gas consumption govt fixed tariff for transportation; Currently, tariffs divided into zones of 300km; Expected benefits of unified gas pricing system <ul style="list-style-type: none"> Reduced overall cost: Currently as much as 10% of final cost of gas to an industry bcz of low international prices Reduction in tariffs: Currently, if a buyer needs multiple pipelines even from the same operator, that transport tariff would increase by adding the tariffs under different zones Single market: by attracting investment to complete the Gas Grid Gas based economy: investments into gas infrastructure for govt's aim to increase share of natural gas in Energy to 15% by 2030, from 6% Development of new gas markets: new demand centers in far-flung and remote areas. <p>Indian gas exchange</p> <ul style="list-style-type: none"> India's first-Indian Gas Exchange (IGX) — launched recently as wholly owned subsidiary of Indian Energy Exchange digital trading platform for buyers and sellers to trade both in spot and forward market across three hubs —Dahej and Hazira in Gujarat, and Kakinada in Andhra Pradesh Imported LNG will be regassified and sold to buyers through the exchange bidding is done in anonymous manner price of domestically produced natural gas is decided by the govt and it will not be sold on the gas exchange <ul style="list-style-type: none"> Domestic production falling over past two fiscals sources of natural gas have become less productive Domestically produced gas accounts for less than half the country's natural gas consumption; imported LNG accounts for the other half. Hence, IGX encourages trading in imported LNG; <p>National gas grid</p> <ul style="list-style-type: none"> Cabinet Committee on Economic Affairs approved a Capital Grant as the VGF to Indradhanush Gas Grid Ltd for setting up North East Natural Gas Pipeline Grid At present 16800 km long pipeline network operational in country and the need is for additional 14,300 km pipelines to complete the National Gas Grid remove regional imbalance and development of City Gas Distribution (CGD) Networks for supply of CNG and PNG <p>Way Forward</p> <p>Oil & gas</p> <ul style="list-style-type: none"> Provide for open access to gas pipelines; Promote city gas distribution to provide piped natural gas (PNG) Separate developmental and regulatory functions of PNGRB flexibility in contract terms Enhance production of ONGC and Oil using cutting-edge technology Provide "priority sector" status to 2G bioethanol projects; Concept of 'solar parks' can be applied to bio-fuels Govt should provide VGF for 2G ethanol project Declare regassified liquefied natural gas (R-LNG) as transportation fuel and promote PNG in rural areas Create strategic reserves <p>Coal</p> <ul style="list-style-type: none"> Detailed exploration based on production/revenue sharing model Onus of land made available on concerned state govt Deploy more Coal-Handling and Preparation Plants (CHPP) that wash coal before shipping; This removes ash and debris thus increasing energy content by 10-20%; 	
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<p>Privatization, Disinvestments</p>	<p>1. Critically examine the strategy of disinvestment in improving the growth of the manufacturing sector. (15,2020)</p> <p>Conclusion -</p>	<p>- Effect of disinvestment in improving the growth of the manufacturing sector</p> <p>Positive Effects</p> <ul style="list-style-type: none"> According to Nagraj productivity of PSU is lower because of overstaffing. <ul style="list-style-type: none"> Disinvestment reduced this problem and thus improved productivity. PSU are now exposed to higher competition thus they are forced to perform. According to Economic Survey 2019, post disinvestment returns in no of former PSUs have increased. <ul style="list-style-type: none"> Eg. Maruti, BALCO Increase in efficiencies of manufacturing also encourages growth of ancillary units. Disinvestment made funds available for PSU which then can be used for expansion. <p>Negative Effects</p> <ul style="list-style-type: none"> Profitable PSU were sold while unprofitable like Air India were still with the government, so policy did not help much. PSU gives preferential treatments to MSME. Thus, MSME gets affected due to disinvestment. In total disinvestment is creative destruction for the manufacturing sector. It introduces competition and market discipline which in turn helped to increase productivity and growth. 							
<p>2. Discuss the disinvestment policy adopted by the GoI as part of structural adjustment programme</p>	<p>-Intro</p> <p>-Structural adjustment = set of economic reforms that a country must adhere to in order to secure a loan from the IMF and/or the WB.</p> <p>-Generally includes neoliberal policies like govt</p>	<p>Disinvestment policy under structural adjustment i.e. NEP 1991</p> <ul style="list-style-type: none"> Shares of different PSUs bundled and sold to domestic financial institutions, initially 1992-93 -- separate auction of individual shares for better price realisation Rangarajan Committee on Disinvestment of Shares in PSEs, 1993 -- recommended disinvestment to following extent in various categories <table border="1" data-bbox="470 2049 662 2139"> <tr> <td>Strategic sectors</td> <td>49%</td> </tr> <tr> <td>Reserved sectors</td> <td>74%</td> </tr> <tr> <td>Rest all</td> <td>100%</td> </tr> </table>	Strategic sectors	49%	Reserved sectors	74%	Rest all	100%	
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<p>of the IMF and the World Bank. Examine the impact of such a policy on industrial growth in India. (20,2019)</p>	<p>spending cuts, dismantling restrictions on free trade, etc</p> <p>Conclusion</p> <p>—</p>	<p><u>Other components of structural adjustment:</u></p> <ul style="list-style-type: none"> -Abolition of licensing in all sectors, except defence, some strategic industries -Liberalisation of import licensing norms -Shift from import substitution to export promotion -Custom duties -- from an earlier peak of 150% to a 12% average -FDI -- strictly restricted to negative list -Exchange rate -- fixed/ pegged exch rate to floating rate -Current account convertibility -- initially partial, then full introduced -Liberalisation of banking sector -Gradual reduction in govt indebtedness <p><u>Positive impacts on industrial growth</u></p> <p>-Immediate :</p> <ul style="list-style-type: none"> • — <p>-Long term:</p> <ul style="list-style-type: none"> • — <ul style="list-style-type: none"> -Competitiveness of many lines of mfg -Decline in relative price of capital goods -PSU share in mfg -- halved since 1991 to 8% -Increase in competition due to easier import & entry of new firms -IT boom -> fuelled by early focus on heavy industry, technical education -Global competence gained by some Indian companies -- eg. TATA Motors acquired UK owned Jaguar <p><u>Negative impacts on industrial growth</u></p> <ul style="list-style-type: none"> -Stagnant share of industry in domestic o/p and employment -Share in exports has declined -- rising share of primary exports (iron ore) -Reforms failed to promote labour intensive, export led growth -Failed to yield faster o/p, employment, labour intensive growth <p><u>Way forward:</u></p> <ul style="list-style-type: none"> -Refocus on secondary sector to generate productive employment -Skilling to enable labour force meet the challenges of the 21st C -Focus on 2nd gen reforms for inclusivity -Strengthen base of infrastructure -- leads to decline in input costs and overall competitiveness of economy 			
<p>3. Critically examine the Disinvestment Policy of the Gov. (15,2017)</p>		<p><u>Disinvestment policy of Gov</u></p> <ul style="list-style-type: none"> - Post 1991 reforms -- policy decision to disinvest upto 20% of equity in selected PSUs - By 2000-01 -- govt policy to restructure, revive potentially viable PSEs; close down sick PSEs - Aim: bring down govt equity in all strategic PSEs to 20% (!) - 2005: constituted NIF National Investment Fund -- to strengthen profitable PSEs from disinvestment + invest in social sector <p><u>Benefits</u></p> <ul style="list-style-type: none"> - Sick PSUs are sold -> breaks cycle of debt trap - ES 2020: disinvestment of companies like Maruti, Balco led to increase in productivity & capital - Govt can exit from non-strategic sector & invest in projects with greater externalities (eg Railways) ++ induce crowding-in - Disinvestment provides resources for human K dypment and investment in social sector - Tax payers money is saved -- not reqd to revive loss making PSUs <p><u>Negatives</u></p> <ul style="list-style-type: none"> - Potential under-pricing <ul style="list-style-type: none"> • CAG report on BALCO - CAG: corruption highly prevalent in disinvestment process; hurts the exchequer - Generates short term revenue; long term dividend income is foregone - Benefits are gone if disinvestment revenue are used for revenue expenditure <p><u>Way forward</u></p> <ul style="list-style-type: none"> - Transparent process - More bang for bucks 			
<p>4. What is the present policy of disinvestment of the Government of India? What modification can be introduced in order to make it fruit-bearing? (25,2013)</p>					
<p>5. Can disinvestment in public sector units be a sustainable alternative for raising resources for government expenditure? (12,2012)</p>					
<p>6. Critically examine the arguments usually put forward in favour of disinvestment of public sector</p>					

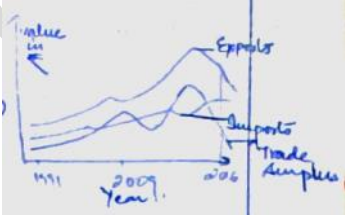
enterprises. (20,2009)																	
Role of Foreign Direct Investment and Multinationals.																	
1. Evaluate the role of FDI in contributing economic growth of India. (10,2020)		<p>Foreign direct investments (FDI) are substantial investments made by a foreign company in the country.</p> <p>Role of FDI in contributing economic growth of India</p> <p>FDI increases forex reserve. Recently India has touched \$ 600 billion forex reserve. It helps in exchange rate stability.</p> <p>It helps to generate jobs. Eg. Samsung is generating jobs in electronics manufacturing.</p> <p>It brings new technology. Eg. Amazon has brought supply chain technologies in India</p> <p>It helps in development of backward areas. Eg. The Hyundai unit at Sriperumbudur.</p> <p>However FDI in India have been concentrated to certain states like Gujarat, Maharashtra, Tamilnadu and certain sectors like health, education, automobile, etc. It is leading to inequitable development. Also there are allegations that most of the FDI in India is coming from Singapore and Mauritius which is actually round tripped from India.</p> <p>FDI is beneficial for India's economic development. Government should focus on reducing its negative impacts so that benefits of FDI are maximized.</p>															
2. psHas India been able to exploit the potential of FDI for export-oriented production? Give reasons. (10,2019)	<p><u>Intro</u></p> <ul style="list-style-type: none"> - India's FDI -- increasing trend - 2014 - \$45bn --> \$60bn in 2018 - FDI concentrated in telecom, infra, financial services <p><u>Conclusion</u></p> <ul style="list-style-type: none"> - Uma Kapila: export led strategy requires dynamic shifts in comparative advantage 	<p><u>FDI & export oriented production</u></p> <ul style="list-style-type: none"> - FDI accounts for only 5% of exports - ___ other ctry data? - => India unable to exploit potential <p><u>Benefits of FDI</u></p> <ul style="list-style-type: none"> - Superior tech, greater competition -> growth impulses <ul style="list-style-type: none"> • R&D intensive MNCs - Augments growth in an envi of <ul style="list-style-type: none"> • High tech gap • Significant openness to FDI <p><u>Reasons for low export orientation of FDI</u></p> <ul style="list-style-type: none"> - <u>Related to nature of FDI</u> <ul style="list-style-type: none"> - Bulk of FDI is market seeking rather than export oriented - Mixed quality of FDI inflows - <u>Related to domestic policies</u> <ul style="list-style-type: none"> - Complex labour laws -> higher cost of hiring <ul style="list-style-type: none"> • Prevents FDI to labour intensive sector • Unable to harness comparative advantage - Inadequate infrastructure <ul style="list-style-type: none"> • Logistic cost ~14% of GDP - EoDB still low in India -- hampers competitiveness - Red tape at ports -- increases cost of business - Inappropriate tech transfer -- capital intensive/ outdated tech transferred to India <p><u>Way forward</u></p> <ul style="list-style-type: none"> - Impact of FDI depends on policies of host govt - Kumar (2005) -- in auto sector -- policies of phased mfg programme (=LCR), to promote vertical inter-firm linkage and encourage dypment of auto-component industry have led to internationally competitive vertically integrated auto sector in India - Kumar & Joseph (2007) - recent studies indicating relatively superior performance of foreign enterprises in export orientation than earlier studies - Kumar (2013) - MNCs are now beginning to exploit potential of India as a base for export oriented production 															
3. Why should FDI be preferred over FPI? Comment on govt's initiatives in this respect. (15,2018)	<p><u>Intro</u></p> <ul style="list-style-type: none"> - FDI: non-debt creating flow of investment - FPI: <p><u>Conclusion</u></p> <ul style="list-style-type: none"> - ___ 	<p><u>Comparison</u></p> <table border="1" data-bbox="437 1352 1174 1570"> <tr> <td>FDI</td> <td>FPI</td> </tr> <tr> <td>Foreign investment above 10% in a firm by a foreign agent</td> <td>Below 10%</td> </tr> <tr> <td>Gains stake in firm in which investment is made</td> <td>To reap profits by investing in shares and bonds</td> </tr> <tr> <td>Stable, long term</td> <td>Volatile, short-medium term</td> </tr> <tr> <td></td> <td>Speculative</td> </tr> <tr> <td>Real investment -- leads to creation of productive assets of the invested entity</td> <td>Monetary/ financial investment</td> </tr> </table> <p><u>Steps taken by govt</u></p> <ul style="list-style-type: none"> - India deregulated FDI rules for several sectors in recent decades - Working on improving EoDB to attract FDI - Automatic FDI approvals in various sectors <p><u>Way forward</u></p> <ul style="list-style-type: none"> - Simpler labour laws - EoDB poor ranking in law enforcement -- improve that 	FDI	FPI	Foreign investment above 10% in a firm by a foreign agent	Below 10%	Gains stake in firm in which investment is made	To reap profits by investing in shares and bonds	Stable, long term	Volatile, short-medium term		Speculative	Real investment -- leads to creation of productive assets of the invested entity	Monetary/ financial investment			
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4. What developmental role can FDI play in a backward economy? What policy has India been following to attract FDI and what safeguards should the country adopt? (20,2017)	<p><u>Intro</u></p> <ul style="list-style-type: none"> - FDI = foreign investment for direct ownership of a company - India - >=10% investment by a foreign player = FDI <p><u>Conclusion</u></p> <ul style="list-style-type: none"> - ___ 	<p><u>Developmental role in backward economy</u></p> <ul style="list-style-type: none"> - Technology transfer <ul style="list-style-type: none"> • Eg Honda - Low capital base in a backward economy -- can bring K - Fulfils shortage of forex reserve to balance BoP <p><u>Policy for attracting FDI</u></p> <ul style="list-style-type: none"> - Automatic route allowed in certain sectors - Improving EoDB - Make in India scheme to attract FDI in mfg - FIFP Foreign Investment Facilitation Portal -- facilitates single window clearance of applications through approval route <p><u>Safeguards</u></p> <ul style="list-style-type: none"> - Must have a minimum lock-in period of investment -- avoid speculation and associated volatility - Tax avoidance through transfer pricing; avoid DTAA <ul style="list-style-type: none"> • APA Advance Pricing Agreement 															

		<ul style="list-style-type: none"> - Regulation of FDI in certain strategic sectors - Clause for accessing domestic dispute resolution mechanism before approaching int'l fora 			
5. Critically examine the major changes in FDI policies of the Govt since 1991. (15,2016)	<p><u>Intro</u></p> <p>- ___</p> <p><u>Conclusion</u></p> <p>- ___</p>	<p>Before 1991 India was more restrictive due to the need to develop local industries. Before 1980 no FDI was allowed without transfer of technology. Renewals of foreign collaborations were restricted. Foreign Exchange Regulation Act, 1973 was restricted to FDI in certain core or high priority industries. However after BoP crisis this policy changed.</p> <p>In July 1991, the first generation reforms created conducive environment for foreign investment in India. It started liberalization of FDI. The foreign equity capital limit was raised to 51 per cent. FDI was allowed in exploration, production, refining of oil and marketing of gas.</p> <p>The most significant step was replacement of Foreign Exchange Regulation Act (FERA), 1973 with Foreign Exchange Management Act, 1999 (FEMA). It reduced restriction on foreign exchange. In many sectors government adapted automatic approval rule to fasten FDI.</p> <p>Result of this, the FDI inflows kept on rising year wise. It touched US \$ 8961 million in 2005-2006. It has help India to deal with current account deficit problem. India with help of FDI and FPI have acquired around 400 billion \$ forex reserve.</p> <p>However FDI also increased cases of tax avoidance, transfer pricing, round tripping. It is seen that Indian capital is coming back to India through round tripping. FDI also created huge competition for local industry.</p> <p>Now there is need to work on reducing tax avoidance and promotion of local industries through the FDI policy.</p>			
6. Write for and against FDI in retail trade of India. (15,2014)	<p><u>Intro</u></p> <p>- ___</p> <p><u>Conclusion</u></p> <p>- ___</p>	<p><u>Favour</u></p> <ul style="list-style-type: none"> - Boost growth in economy - Economies of scale -> employment generation of varied skill levels -- office assistant, delivery boy to high level mgmt jobs - Reduces intermediaries --> farmers benefit - Economies of scale -> price reduction - Consumer benefits from economies of scope - Boost infra, storage, tech dvpment <p><u>Against</u></p> <ul style="list-style-type: none"> - Employs many small shopkeepers & hhs -- low volume - Deep pockets of FDI -> can buy goods in bulk at low prices -> can give heavy discount - Disrupt economy of small shopkeepers - Monopoly after small shopkeeper economy weaknes - Hurt consumer welfare in the LR 			
7. Compare the role of Foreign Direct Investment (FDI) and Foreign Institutional Investment (FIIs) in India's economic development . Are FDI's preferable to Portfolio Investments? Evaluate. (30,2011)	<p><u>Intro</u></p> <p>- ___</p> <p><u>Conclusion</u></p> <p>- ___</p>				
8. Why is capital inflow through multinational corporations preferred over foreign debt? (30,2012)	<p><u>Intro</u></p> <p>- ___</p> <p><u>Conclusion</u></p> <p>- ___</p>				
9. Comment on the new initiatives taken by the govt to facilitate investment and EoDB. (20,2018)	<p><u>Intro</u></p> <p>- ___</p> <p><u>Conclusion</u></p> <p>- ___</p>	<ul style="list-style-type: none"> - Initiatives for investment - Initiatives for EoDB - IBC -- reduced liquidation/ restructuring time; ensures movement of capital to productive sector - Single window clearance system to hasten registration process - Govt has made the process for registering a company faster by reducing the time taken - Minimum paid-up share capital requirement has been done away with (prev ₹1 lakh for pvt company, ₹5 lakh for public company) - Govt has introduced faceless assessment for tax assessments -> increase investor confidence - GST, 2017 -- to simplify indirect tax regime 			
10. There is need of an 'apex agency' to monitor and to regulate the entry and functioning of transnational corporations in the context of India's broader	<p><u>Intro</u></p> <p>- ___</p> <p><u>Conclusion</u></p> <p>- ___</p>	<p>Multinational companies brings capital to India. It also helps in development by bringing new technologies. However unregulated MNC can harm economic sovereignty and long term development of India. Thus there is need to regulate and monitor them.</p> <p>Need to monitor MNC</p> <p>MNC are seen indulging in the tax avoidance and transfer pricing</p> <p>With their big pockets they indulge in acquisition and mergers. It limits domestic industry growth. Large MNC sector might put pressure on economic policy making. It hurts economic sovereignty. MNCs transfers technology but keeps R&D function in the home country. It keeps host country technologically dependent on MNCs</p> <p>Concerns of overexploitation of natural resources.</p> <p>MNC can act as tool of modern warfare. For example in recent COVID times China was acquiring foreign firms.</p> <p>Foreign capital in critical sector can damage the national interest if the relations between the two countries deteriorate.</p> <p>Thus there is a need for an 'apex agency' to monitor and to regulate the entry and functioning of</p>			

national interest. Give arguments in support of your answer. (15,2015)		transnational corporations			
11. Write in brief on Special Economic Zones (SEZ) and their socio-economic repercussions. (20,2011)		- From mains 365			

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New Economic Policy and Trade

Question	Intro/ conclusion	Body	Data/ reports	Misc - Linkage w/ Paper 1, etc
Agriculture & WTO				
1. Critically examine the role of WTO on agricultural exports in India. (15,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Fastest ever rise in India's agri exports during 2020-21 - @17% - Value of exports - \$41 bn - Major factors: <ul style="list-style-type: none"> • Opportunities opened up by COVID • Programmes under Agri Export Policy 2018 • Improved market access • Int'l recognition for Indian GI products (<i>name of ctries?</i>) <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Post WTO period has seen slower agri export growth rate, reducing market share in traditional items (Tea, coffee) - Ensuring significant BoP contribution requires <ul style="list-style-type: none"> • Evolving suitable domestic policy • Aligning WTO in favour of interests of developing economies 	<p><u>WTO & Agriculture</u></p> <ul style="list-style-type: none"> - Rests on umbrella treaty - AoA - Agreement on Agriculture 1994 - Aim: <ul style="list-style-type: none"> • Remove trade barriers • Promote transparent market access • Global market integration - 3 pillars <ul style="list-style-type: none"> • Reduction in domestic support • Providing market access • Improving export competition by eliminating export subsidies - 3 boxes of export subsidies <ul style="list-style-type: none"> • Green, Blue, Amber <p><u>Augmenting role of WTO in India's agri exports</u></p> <ul style="list-style-type: none"> - Market access through tariffication <ul style="list-style-type: none"> • New avenues for agri exports • In conjunction w/ ODOP One District One Product Policy • First time exports of several products in 2020-21 (Varanasi Mango, ___ Black Rice) - S&DT Special & Differential Treatment <ul style="list-style-type: none"> • Exempts internal transport & freight charges, processing costs from reduction commitments <p><u>Obstructing role of WTO in India's agri exports</u></p> <ul style="list-style-type: none"> - Base reference period is 1986-90 <ul style="list-style-type: none"> • For limitation on export subsidies & ratchet effect • India did NOT have any export subsidies in that period -- unable to resort to these methods even in the future - Domestic market access <ul style="list-style-type: none"> • Farmers exposed to large int'l price fluctuations • Reduces export competitiveness - MSP included under AMS Amber Box - Subsidies on Fisheries <ul style="list-style-type: none"> • WTO negotiating a pact to eliminate 'harmful' subsidies in line w/ SDG • Includes subsidies for fishing vessels, nets, fuel, etc offered to poor fishermen in developing countries <p><u>Impact on Agri exports of India</u></p>  <ul style="list-style-type: none"> - Gradual growth in post reform period & post WTO period - Turned negative in recent quinquennial - Agri export increased from \$5 bn (2000) to \$40 bn (2013) - India remained net agri exporter - Bharadwaj et al -- opening of economy benefitted the agri & agro-based industries <p><u>India's stance</u></p> <ul style="list-style-type: none"> - MSP is NOT for export promotion but food security -- must be included in Green Box - Calculation methodology under AoA considers subsidy cap acc to foodgrain price levels of 1986-88; current prices substantially higher - In absolute sense, dvpd ctries provide ~90% of world price distorting subsidies under Amber Box - Will NOT accept limits on farm input subsidies -- seeds, fertilisers - Agitation at WTO for implementation of SP Special Products & SSM Special Safeguard Mechanisms under AoA - Seeking a cap on Green Box subsidies, esp for dvpd ctries like US, France 		
		<p><u>Major constraints faced by agri-export sector</u></p> <ul style="list-style-type: none"> - Despite AoA, export subsidies still given by developed ctries -- dvpd ctries unable to use this - SPS measures used by dvpd ctries -- eg Alphonso export banned in Europe 		


<p>Subsidy is a contentious issue and roadblock in the WTO. Examine India's stand for protecting farmers' interests. (20,2014)</p>	<p><u>Intro:</u> - Agri negotiations at WTO come under umbrella of AoA Agreement on Agriculture based on 3 pillars</p> <ul style="list-style-type: none"> • Reduction in domestic support • Market access • Export competition <p><u>Conclusion:</u> -</p>	<p>- Emergence of trading blocs - Asia, Europe, N-Am -- considerable impact on India's Agri-export trade</p> <p><u>Subsidy classification</u></p> <ul style="list-style-type: none"> - Amber box, Blue Box, Green Box - Trade distorting - subject to de-minimis upper limits - Non-distortionary - not subject to any reduction commitments; can be upscaled without any limits <p><u>Contentious issue:</u></p> <ul style="list-style-type: none"> - Agri subsidy - Fishery subsidy <p><u>Roadblock at WTO</u></p> <ul style="list-style-type: none"> - Developed ctry seek reduction of production linked Amber Box subsidies in developing nations (eg India's MSP) - Developing nations: Peace Clause under Bali Package allow for subsidies aimed at food security aims - Developing nations: Green Box are trade distortionary -- prohibit market access & depress global food prices <p><u>India's stance</u></p> <ul style="list-style-type: none"> - Defensive stance to protect domestic support programmes - MSP, PDS procurement - Offensive element: seeking reduction of Green Box subsidies - Strongly support tariff protection for certain sensitive categories -- Special Products - Defence of subsidy on grounds of <ul style="list-style-type: none"> • food security - claiming Bali Peace Clause • S&DT - for developing ctries & LDCs - As part of G33 - push for SSM to protect domestic agri from predatory dumping - Inclined towards export interest in dairy products, cereals, sugar, horticulture and thus working towards greater market access - Calls for rational application of SPS & TBT Technical Barriers to Trade 																						
<p>Write on the unfinished agenda of Doha Round of negotiations of the WTO. (15,2011)</p>	<p><u>Intro:</u> - The Doha Development Round is the ongoing round of negotiations under WTO, since 2001</p> <p><u>Conclusion:</u> - Cancun Ministerial - seen as landmark victory for developing nations - High hopes from Geneva</p>	<p>- Aim: fairer trade rules for developing ctries</p> <p>- Focus areas</p> <ul style="list-style-type: none"> • Market access • Development issues • WTO Rules • Trade facilitation <p>- Status: not reached any conclusion as of 2021; talks stalled due to differences b/w developed and developing ctries</p> <p><u>Unfinished agenda components & roadblocks</u></p> <table border="1" data-bbox="625 965 1230 1518"> <thead> <tr> <th>Issue</th> <th>Developing</th> <th>Developed</th> </tr> </thead> <tbody> <tr> <td>Agri</td> <td>- Reduction in Green Box subsidies provided by US, EU - Frame rules to utilise provisions on SP Special Products relaxations</td> <td>- Larger tariff reductions must be undertaken by developing ctries - Limit 'special product' to max 5 product lines</td> </tr> <tr> <td>TRIPS</td> <td>- Prevent 'evergreening' of pharma patents - Compulsory licensing to deal w/ public health emergencies - Protection of traditional knowledge</td> <td>- Stronger, longer patents for pharma - Restrictions on generic medicines - No export of medicines produced under compulsory licensing</td> </tr> <tr> <td>NAMA Non-Agri Market Access</td> <td>- Protection of sensitive sectors from int'l competitors</td> <td>- Large tariff reductions on ALL product lines</td> </tr> <tr> <td>S&DT</td> <td>- Continued eligibility for favourable treatment</td> <td>- Only LDCs rightful claimants - Bid developing ctries must give up on S&DT relaxations (Brazil, India, China)</td> </tr> <tr> <td>Implementation Issues</td> <td>- Hindered by limited capacity & lack of technical assistance</td> <td>- Seek increased market access w/o reciprocity due to poor implementation</td> </tr> <tr> <td>Conclusion of Doha round</td> <td>- G33 - insists on favourable outcomes before inception of new round</td> <td>- Wants to conclude Doha round & proceed to new issues like e-commerce, etc</td> </tr> </tbody> </table> <p><u>Measures taken by India to forward its agenda at WTO</u></p> <ul style="list-style-type: none"> - Informal Ministerial at New Delhi - 2018, 2019 - Build consensus towards conclusion of DDR at Geneva Ministerial (2021) 	Issue	Developing	Developed	Agri	- Reduction in Green Box subsidies provided by US, EU - Frame rules to utilise provisions on SP Special Products relaxations	- Larger tariff reductions must be undertaken by developing ctries - Limit 'special product' to max 5 product lines	TRIPS	- Prevent 'evergreening' of pharma patents - Compulsory licensing to deal w/ public health emergencies - Protection of traditional knowledge	- Stronger, longer patents for pharma - Restrictions on generic medicines - No export of medicines produced under compulsory licensing	NAMA Non-Agri Market Access	- Protection of sensitive sectors from int'l competitors	- Large tariff reductions on ALL product lines	S&DT	- Continued eligibility for favourable treatment	- Only LDCs rightful claimants - Bid developing ctries must give up on S&DT relaxations (Brazil, India, China)	Implementation Issues	- Hindered by limited capacity & lack of technical assistance	- Seek increased market access w/o reciprocity due to poor implementation	Conclusion of Doha round	- G33 - insists on favourable outcomes before inception of new round	- Wants to conclude Doha round & proceed to new issues like e-commerce, etc	
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<p>Discuss the impact of World Trade Organization (WTO) on Indian Agriculture. 60</p>	<p><u>Intro:</u> - _</p> <p><u>Conclusion:</u> - _</p>																							
<p>IPR, TRIPS, TRIMS, GATS</p> <p>What is intellectual property? Why does intellectual property need to be promoted and protected? (15,2020)</p>	<p><u>Intro:</u> - The New Growth Models by Romer 1990 onwards are based on the non-rival nature of ideas and knowledge, crucial to the rapid economic growth in the last few decades.</p> <p><u>Conclusion:</u> - _</p>	<p><u>Intellectual Property</u></p> <ul style="list-style-type: none"> - Refers to intangible assets generated by a person's mind - Individual/ organisation's exclusive rights over the use of their creation for a certain period of time - Seeks to introduce <u>exclusivity</u> characteristic to knowledge/ ideas - Comprises literary and artistic works, new methods of doing something or some distinct recognition symbols used by a group/ firm/ organisation etc - Types of IPR <table border="1" data-bbox="667 1921 994 1977"> <tr> <td>Industrial design</td> <td>GI</td> <td>Trademark</td> </tr> <tr> <td>Plant variety protection</td> <td>Patents</td> <td>Copyrights</td> </tr> </table> <ul style="list-style-type: none"> - History <ul style="list-style-type: none"> • Recognised for the first time at the Paris Convention & the Berne Convention • Both presently administered by WIPO World Intellectual Property Organisation -- specialised agency of the UN • WTO deals w/ IPR under TRIPS <p><u>Why IPR safeguarding?</u></p>	Industrial design	GI	Trademark	Plant variety protection	Patents	Copyrights																
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		<ul style="list-style-type: none"> - It is an important factor input under New Growth Theories - Innovation - ownership of ideas & resulting pecuniary gains incentivises further innovation - Safeguarding rights of the creator - ensures it is not misappropriated by others - Boosts investment - innovators/ investors are reassured about returns on their investment - Economic growth - promoted by innovators in various fields <ul style="list-style-type: none"> • Eg. Industry 4.0 is based on digital revolution - Ensures EoDB by providing a stable environment - Facilitates transfer of tech through various modes like FDI, joint ventures, licensing <p><u>Challenges to safeguards</u></p> <ul style="list-style-type: none"> - Violation, compulsory licensing, evergreening, complex procedures, state interference, appropriations 		
Narrate the implications of the TRIPS Agreement with special reference to the pharmaceutical sector in India. (15,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - TRIPS is the umbrella treaty under WTO to protect various types of intellectual property, including patents, copyrights, trademarks, GIs - India has ratified the treaty - Binding nature since the end of transition period in 2005 <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Fillip to Indian Pharma Sector - Important role in emerging as 'Pharmacy of the World' - Still need to make efforts to enter higher value chains - Local production of APIs for robustness of the sector 	<p><u>Implications on India</u></p> <ul style="list-style-type: none"> - Need to amend IP related laws --- did that - Rapid growth in no of patents filed <ul style="list-style-type: none"> • ISB: application growth increase from 10% p.a. In 2015 to 17% in 2017 • Patents growth rate at 12% from 2005 - Increase in R&D - spurred investment by Indian companies as well as outsourcing of R&D work to India by MNCs - Increase in value of Indian patents - Increased litigation - Different food production processes, products will become patentable -> India needs to document its traditional processes to safeguard them - Costlier technological growth of dyping nations - May lead to price hike -- affects consumer welfare <p><u>Impact on Pharma sector</u></p> <ul style="list-style-type: none"> - Benefitted from stronger IP rights - Provided change in direction <ul style="list-style-type: none"> • New focus on developed markets alongside traditionally servicing the LDCs - Investment in drug discovery programs by domestic firms <ul style="list-style-type: none"> • Aided vaccine development during COVID • Bharat Biotech's Covishield, Zydus Cadila's Zy-Cov-D - Efforts toward mfg of patented drugs under license <ul style="list-style-type: none"> • India has largest no of US FDA compliant plants outside USA - Capacity addition in mfg of generic drugs by utilising Bolar Exception <ul style="list-style-type: none"> • India is 14th largest exporter by value • 3rd largest exporter by volume -- led by generics - Full use of flexibilities under TRIPS <ul style="list-style-type: none"> • Prevented evergreening of Gilivec (Sec 3(d) of Indian Patents Act) • Compulsory licensing of Bayer's medicine 		
2. Examine the implications of TRIPS on Indian economy. (15,2016)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - TRIPS sets down the minimum standards of IP regulation applicable to nationals of other WTO members - India - founding member of WTO - Signed, ratified TRIPS <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<p><u>Implications on Indian economy</u></p> <p><u>IPR</u></p> <ul style="list-style-type: none"> - Amended Indian Patents Act to allow patents in pharma, 20 year licensing norms -- conforms w/ TRIPS - Set up IPAB Indian Patents Appellate Board - Rationalised timeline for patent application processing - Improved GI ranking -- 48nd in 2020 - Increase in patent and trademark filings (17% in 2017) - Strengthening of institutional mechanism, clearing backlogs in IP applications <p><u>Pharma</u></p> <ul style="list-style-type: none"> - Provided change in direction <ul style="list-style-type: none"> • New focus on developed markets alongside traditionally servicing the LDCs - Investment in drug discovery programs by domestic firms <ul style="list-style-type: none"> • Aided vaccine development during COVID • Bharat Biotech's Covishield, Zydus Cadila's Zy-Cov-D - Efforts toward mfg of patented drugs under license <ul style="list-style-type: none"> • India has largest no of US FDA compliant plants outside USA - Capacity addition in mfg of generic drugs by utilising Bolar Exception <ul style="list-style-type: none"> • India is 14th largest exporter by value • 3rd largest exporter by volume -- led by generics - Full use of flexibilities under TRIPS <ul style="list-style-type: none"> • Prevented evergreening of Gilivec (Sec 3(d) of Indian Patents Act) • Compulsory licensing of Bayer's medicine <p><u>Agri & biotech</u></p> <ul style="list-style-type: none"> - Non-patentability of plant & animal varieties - Conditional patents on microorganisms - PPVFR Protection of Plant Varieties and Farmers' Rights Act 2001 <ul style="list-style-type: none"> • Sui generis system protecting both farmers and innovators - Rapid expansion of Bt cotton cultivation <ul style="list-style-type: none"> • India among top producers • Raising farmers' incomes - Contract farming by large MNCs, providing quality seeds <ul style="list-style-type: none"> • PepsiCo in Hoshiarpur <ul style="list-style-type: none"> - Different food production processes and products will become patentable. <ul style="list-style-type: none"> • Thus India has to document its traditional processes to safeguard them. - It may lead to price hike which affects consumer welfare. - It will make technological growth of developing nations costlier. - Pramod Malik: pharma sector is most impacted by TRIPS agreement. - It help in establishing monopoly in pharma sector. <ul style="list-style-type: none"> • It led to (?) increase in pharma prices which affected India's Pharma export. - India has status of world's pharmacy. Indian companies are now facing issues of IPR. - Foreign firms might illegally patent Indian traditional medicines. - One positive impact is, it might help India to focus on R&D. 		
3. <input checked="" type="checkbox"/> Discuss the salient features of TRIPS and Indian position on (i) geographical indications and (ii) plant breeders' rights. (30,2012)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - TRIPS sets down minimum standards of IP regulations applicable to other WTO members - Builds on protections under Paris & Berne Conventions (under WIPO) 	<p><u>5 principles under TRIPS</u></p> <ul style="list-style-type: none"> - Balance <ul style="list-style-type: none"> • b/w private rights (incentive to invest) and public interest (access) • b/w short run social costs & long run benefits - Technology transfer as a means to engender innovation - Equal treatment 		

	<p>Berne Conventions (under WIPO) and also covers additional areas</p> <p><u>Conclusion:</u></p> <p>- India's GI and plant breeders' rights legislations attempt to strike a balance b/w private & public benefits</p>	<p>- Equal treatment</p> <ul style="list-style-type: none"> • National treatment • MFN <p>- Respect for diversity</p> <ul style="list-style-type: none"> • Of different legal systems & implementation methodologies <p>- Uniformity in minimum standards for all</p> <p><u>Position on GI</u></p> <p>- TRIPS maintains GI register (Sec 23) for wines & spirits ONLY</p> <ul style="list-style-type: none"> • Accords a higher level of protection <p>- At Doha, India called for GI extension to all products</p> <ul style="list-style-type: none"> • Prevent usurpation -- turmeric patents in USA • Improved marketing of products • Better access to int'l markets <p>- Implemented GI Act, 1999 -- grant of GI tag decided by Union Govt</p> <ul style="list-style-type: none"> • Extends to textiles, food, toys, traditional knowledge <p>- Other members NOT obliged to grant special treatment under Sec 23</p> <p>- Sharp growth in agri exports in recent years -- testament to int'l recognition of Indian GI tags</p> <p><u>Position on Plant Breeders' Rights</u></p> <p>- Sui-generis system assuring rights of both farmers and innovators</p> <p>- Internationally, UPOV denies farmers the right to re-use farm saved seeds, exchange them</p> <p>- India's PPVFR, 2001 envisages 3 roles for the farmer</p> <ul style="list-style-type: none"> • Cultivator - plant back rights • Breeders - can modify, breed, exchange seeds • Conservers - entitled for reward under National Gene Fund <p>- Farmers allowed to plant, grow, exchange and sell patent protected crops & seeds</p> <p>- Restriction on selling of 'branded' seeds</p>		
<p>4. <input checked="" type="checkbox"/> "The TRIPS agreement runs counter to the neoliberal argument in favour of competition." Is this a fair assessment? Discuss. (20,2009)</p>	<p><u>Intro:</u></p> <p><u>Conclusion:</u></p> <p>- Although aim to further the neoliberal agenda</p> <p>- Formulation runs counter to it</p> <p>- Imposes significant social costs on dypng economies</p>	<p><u>Neoliberal argument</u></p> <p>- free markets can regulate themselves</p> <p>- Govt control brings inefficiencies</p> <p>- Redistribution creates perverse incentives -- punishes economy's winners and rewards losers</p> <p>- Favours unrestricted market economy</p> <p>- Based on principle of fair competition</p> <p>TRIPS</p> <p>- Favours govt action in providing strong protection for IPR</p> <p><u>TRIPS aligned w/ neoliberal arguments:</u></p> <p>- WTO, 2008 - encourages disclosure of new knowledge</p> <p>- CIPR, 2018 - Enables recouping of significant costs associated w/ creative process (R&D)</p> <p>- Rewards and promotes innovation</p> <p>- Matthews, 2002: Security offered to foreign patent holders encourages FDI, technology transfer, licensing and diffusion of knowledge to developing economies</p> <p>- Stimulates markets in dypng economies as well</p> <ul style="list-style-type: none"> • Through S&DT, transitional period mechanisms, obligations for financial assistance <p><u>Ground reality of TRIPS runs counter to neoliberalism</u></p> <p>- Basically a regulatory framework, imposing restrictions</p> <p>- Wade, 2003: Captive to special interests of the developed ctries</p> <p>- Fw essentially constitutes a redistribution policy -- strongly in favour of first mover</p> <p>- WB, 2001 - estimates annual \$20 bn wealth transfer to dyped economies from dypng economies importing tech</p> <p><u>Also hampers competition w/in dypng economies</u></p> <p>- Creates unfair advantage in favour of foreign firms due to lack of institutions and infra</p> <p>- Shrinks the dypmental policy space -- could've otherwise been utilised to further domestic interests, foster innovation on locally favourable terms</p> <p>- Imitation & reverse engineering, outlawed under TRIPS, crucial for tech capacity dypment in East Asian Miracle Economies</p> <p>- Weak IP laws utilised further the innovative base in dyped economies</p> <ul style="list-style-type: none"> • US & Europe until 1970s, Japan till late 20th C 		
<p>5. <input checked="" type="checkbox"/> Describe the salient features of TRIMS. How has it impacted the textile and clothing sector in India. (15,2018)</p>	<p><u>Intro:</u></p> <p>- TRIMS: rules applicable to domestic regulations that a country applies to foreign firms investing in the country as part of its industrial policy.</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Salient features</u></p> <p>- Aimed at restricting preferential treatment to domestic firms</p> <p>- Prohibits measures in violation of National Treatment, Quantitative Restrictions</p> <p>- Doesn't cover services trade</p> <p>- Addresses issues relating to LCR, Domestic Sales Requirement, export restrictions, technology transfer requirements, related fiscal incentives</p> <p>- Prevents imposition of restriction on areas of investment</p> <p>- Prevents imposition of performance clause on foreign investors -- earning forex, foreign equity participation</p> <p><u>Impact of TRIMS on clothing and textile sector</u></p> <p>- Sharp rise in FDI after end of transition period</p> <ul style="list-style-type: none"> • 110% rise -- ₹1.97 bn to ₹4.1 bn (2004-06) • 91% rise -- 2012 to 2014 <p>- Stalled DDR --> preference for RTAs; harms India's interest as not part of many RTAs + low utilisation of RTAs in which it participates</p> <p>- Major export destinations -- US, Europe -- RTAs w/ other exporters</p> <p>- Rise of protectionism -- further expected to harm India's interests as members of RTAs could negotiate concessions</p> <p>- China -- competes w/ our exports; has also entered RCEP</p>		
<p>6. <input checked="" type="checkbox"/> What are the four modes of GATS? What mode has been preferred by India and why? (15,2010)</p>	<p><u>Intro:</u></p> <p>- BoP terms, services form <20% of global trade; account for >60% of global production</p> <p>- GATS - umbrella treaty under WTO - addresses this asymmetry</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>4 modes under GATS</u></p> <p>- Mode 1: cross border supply of services</p> <ul style="list-style-type: none"> • No movement of natural persons, whether producers or consumers • Eg distance education, BPO sector <p>- Mode 2: consumption abroad</p> <ul style="list-style-type: none"> • consumer moves to another country for receiving services • Eg tourism, medical tourism, education abroad <p>- Mode 3: cross border capital flow -</p> <ul style="list-style-type: none"> • supplier of service has commercial presence in the importers' territory 		

		<ul style="list-style-type: none"> • Eg McDonalds' Chain <p>- Mode 4: cross border labour movement</p> <ul style="list-style-type: none"> • Natural persons move to another territory to provide services • Engineers sent abroad for onsite work <p><u>India has offensive interest in Mode 1 & Mode 4 b'cos:</u></p> <ul style="list-style-type: none"> - Skilled human resources pool at cheap labour wages - Globally competitive IT industry <p>- Recently, gaining interest in Mode 3 as well --</p> <ul style="list-style-type: none"> • Due to increasing trends of outward FDI and acquisition of stakes in foreign firms (eg TATA-Jaguar) <p>- In order to realise these gains, India is pushing for greater liberalisation under these modes</p> <p>- Proposed Trade Facilitation in Services in 2017 at WTO w/ elements:</p> <ul style="list-style-type: none"> • Totalisation agreement • Insurance coverage for medical tourism • Facilitating movement of skilled labour forces <p>- Received requests for market access under Mode 2</p> <p>- Must be preceded by effective regulatory fw to address issues of quality control, privacy, data security, revenue sharing & transparency</p>	
<p>Paper 1 - WTO Qs</p> <p>1. What is Doha Development Agenda? Explain how it negotiated TRIPS and TRIMS among nations. (20, 2018)</p>	<p><u>Intro:</u></p> <p>-</p> <p>-</p> <p><u>Conclusion:</u></p> <p>-</p> <p>-</p>	<p><u>Doha Development Agenda</u></p> <ul style="list-style-type: none"> - negotiations started at WTO's Doha Ministerial in 2001 - Special attention to dvping ctry issues - Objective: fairer trade rules for dvping ctries - Topics: trade facilitation, market access, development issues, WTO rules - Status: uncertain as of 2021; due to differences b/w dvped and dvping nations on agri, industrial tariffs, NTBs, services, trade remedies <p><u>TRIPS</u></p> <ul style="list-style-type: none"> - WTO's umbrella treaty on protection of Intellectual Property Rights - Ratification mandatory for WTO membership - Initially negotiated in 2005 <p><u>Aspects of TRIMS under DDR Agenda</u></p> <ul style="list-style-type: none"> - Public Health <ul style="list-style-type: none"> • Doha Declaration on Public Health - interpretation of TRIPS must be done in such a way to support public health imperatives • Promotes access to existing medicines & encourages development of new medicines • Access <ul style="list-style-type: none"> ◦ Compulsory licensing allowed for public health emergencies as well as for export ◦ Restrictions on evergreening of pharma patenets • Development <ul style="list-style-type: none"> ◦ Strong IP rights w/ 20 year patents - GI Geographical Indications <ul style="list-style-type: none"> • GI register for wines & spirits -- greater protection for these products • Demand for 'extension of GI' by developing ctries to all product types • India has instituted own GI tag covering wide variety of products - Plant varieties <ul style="list-style-type: none"> • Agreement on review of TRIPS provisions on patentability/ non-patentability of plant and animal inventions • Protection of plant varieties - Traditional knowledge <ul style="list-style-type: none"> • Review of relationship b/w TRIPS, UNCBD • Position on protection of traditional knowledge and folklore & biopiracy/ bioprospecting • India - instituted a TKDL Traditional Knowledge Digital Library to protect its interests <p><u>TRIMS</u></p> <ul style="list-style-type: none"> - Refers to rules facilitating int'l operation of firms by harmonised and simplified domestic regulations - 'Singapore issue' <p><u>Doha priorities regarding TRIMS</u></p> <ul style="list-style-type: none"> - Modelling commitments based on those in services <ul style="list-style-type: none"> • Specification of 'positive list' rather than broad commitments, listing exceptions - Clarification of definitions and scope w/ principles of transparency, non-discrimination - Emphasis on support & technical cooperation for developing ctries and LDCs - Focus on ways of preparing negotiated commitments, development provisions, exceptions and BoP safeguards 	
<p>2. Do you agree with the view that the honeymoon with free trade under WTO is at an end? Give reasons for your answer. (20, 2017)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - WTO estd at Uruguay Round under GATT - Rules based fw for int'l trade - 5 principles: <ul style="list-style-type: none"> • Non-discrimination • Freer trade • Predictability & stability • Fair competition • Encouraging dvpmntal reforms <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Final verdict would also depend on other dynamics -- rise of Regional FTAs & their harmonisation/ lack thereof w/ multilateral trading system under WTO 	<p><u>Free trade under WTO</u></p> <ul style="list-style-type: none"> - Governed by major agreements (AoA, TRIPS, TRIMS, GATS) - & institutional mechanisms (periodic TPR, Dispute Settlement Body) <p><u>Threats to free trade in recent times</u></p> <ul style="list-style-type: none"> - Dispute settlement <ul style="list-style-type: none"> • DSB rendered dysfunctional due to virtual veto by US -- consensus based appointments - Trade in goods <ul style="list-style-type: none"> • Exclusive focus on balance of trade in goods • Led to tariff hikes/ trade wars (China, US) • NTBs - domestic content requirements, employment criteria - Restrictions on mobility <ul style="list-style-type: none"> • Increasing restrictions on labour migration even in pre-COVID 19 era • Substantial price hikes in food in OECD economies at 6% in COVID era due to excessive labour movement restrictions - Technology trade <ul style="list-style-type: none"> • Concerns over privacy & Data security • Economies opting for domestic providers in emerging & critical technology areas • Huawei ousted by US, Canada 	

		<ul style="list-style-type: none"> • Stalling of EU-China Comprehensive Agreement on AI <p><u>Rays of Hope</u></p> <ul style="list-style-type: none"> - ORF: Trade in services has remained resilient & grown steadily from \$4700 bn (2013) to \$6000 bn (2019) - Multi Party Interim Appeal Arbitration Arrangement established by WTO members as a contingency for trade disputes resolution - Greater digital integration and consensus <ul style="list-style-type: none"> • Minimum Taxation for Digital Companies by OECD & G7 - Collaboration on sustainability agenda 		
3. What are the implications of trade in higher education under GATS for India? (10, 2017)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Western nations pushing for greater market access in India's higher ed sector via Mode 3 of GATS <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Permitting market access would require comprehensive cost-benefit analysis - Negotiations must be underlined with national interest, talent retention and curriculum design to reap maximum national benefits 	<p><u>Expected positive implications</u></p> <ul style="list-style-type: none"> - Increase in avenues for quality education within India - Reduced costs for high quality education could boost enrolment rates - Employment generation -- non-teaching staff would be hired locally -- fuel local economy of the area in which these universities are set up <p><u>Expected negative implications</u></p> <ul style="list-style-type: none"> - Education currently treated as a non-profit sector; foreign presence would make it a tradeable commodity - Curricula of these institutions would not be designed to suit our needs -- inappropriate human development wrt needs of our economy - Increased Brain Drain through emphasis on exchange programs with parent institutions - Better compensation -> consume scarce local human resources in India's education sector -- backwash effect - Double whammy for domestic institutions -- increased competition + reduced competitiveness - Implications on reservation policy followed in India's public sector institutions 		
4. What is the stalemate in the WTO about subsidies in less developed economies? Discuss. (15, 2016)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Stalemate = lack of consensual conclusion of DDR - Ongoing since 2001 - Overseen by Trade Negotiations Committee - Arises due to differences in opinion on various issues <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<p><u>Developed countries' stance</u></p> <ul style="list-style-type: none"> - Subsidies in dvpng eco are production linked -> hence trade distortionary - Part of Amber Box -> subject to reduction commitments w/ de-minimis upper limit - Only LDCs are rightful claimants of preferential treatment under S&DT and SP - Dvpng ctries must undertake tariff reductions and reduce the no of import sensitive and special products <p><u>Developing countries' stance</u></p> <ul style="list-style-type: none"> - Subsidies essential for socio-economic stability - Most subsidies are for food security purposes, acceptable objective under Bali Package Peace Clause - Subsidies provided by dvpd ctries under Green Box are also trade distorting -- act as NTBs, depress global food prices - Base years set at 1986-88 -- unfair advantage to developed economies <ul style="list-style-type: none"> • Period of historically high subsidies in those ctries--> ample space for use of subsidies even after meeting reduction commitments • Developing economies had very low subsidies in that period • Rollback not allowed -> shrunken policy space for dvpng economies - G33 - push for redefinition of AMS Aggregate Measure of Support -- to bring parity b/w subsidies & tariff reduction 		
5. 'With the Doha Round of multilateral trade talks stalled, RTAs Regional Trade Agreements have emerged as an alternative approach to increase trade, spur stronger economic growth and lower unemployment rates in the participating countries.' Explain. (20,2014)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - At present - 98% of global trade covered under RTAs <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - In light of their far reaching implications, WTO recognised their complementarity to the WTO at Nairobi Ministerial (2015) - Would enable harmonisation, - Members will gain from synergies w/ the multilateral trading system under WTO 	<p><u>Doha Round of Negotiations</u></p> <ul style="list-style-type: none"> - Started in 2001 under WTO - Aim: fairer trade rules for developing economies - Aka Doha Development Agenda <p><u>Stalled Doha</u></p> <ul style="list-style-type: none"> - Due to differences b/w dvpd and dvpng economies - Issues - trade facilitation, market access, intellectual property, agriculture, development issues - Dvpd economies: <ul style="list-style-type: none"> • Implementation of reduction commitments by dvpng economies • Withdraw preferential treatment for dvpng economies - Dvpng economies <ul style="list-style-type: none"> • Technical and financial assistance for implementation • Relaxations to account for backward economic status - Protectionist tendencies in aftermath of 2008 GFC - Stagnating economic growth in dvpd economies - Declining growth prospects of dvpng economies <p><u>Emergence of RTAs</u></p> <ul style="list-style-type: none"> - Sharp rise in no & complexity of RTAs - WB Data: more than 3x -- 80 (2000) to 280 (2017) - No. Of policy areas covered under each is increasing - Previously most covered <10 policy areas; current majority -- >20 policy areas <p><u>RTAs and trade</u></p> <ul style="list-style-type: none"> - Important institutional infrastructure for regional integration - SAARC least economically integrated region due to non-functional SAFTA <ul style="list-style-type: none"> • Regional trade only 5% of total int'l trade; v/s 35% in ASEAN; 60% in EU - Boost trade, foreign investment and global value chain participation - WB estimates of gains from trade <ul style="list-style-type: none"> • 35% - goods trade • 15% - services trade • 10% - GVC integration <p><u>RTAs and stronger economic growth</u></p> <ul style="list-style-type: none"> - Better policy environment - Positive welfare gains by including certain aspects of public goods - Flexible fw to deal w/ overlaps & conflicts in various trade agreements - Smaller scale enables case-by-case examination of social implications - WTO: Enables win-win commercial cooperation in youth employment, environment protection & labour rights <p><u>RTAs and employment</u></p> <ul style="list-style-type: none"> - 		
6. Explain the Trade Related Investment Measures (TRIMs) of WTO. What are the major debates relating to it? (10,	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Foundational agreement under WTO 	<p><u>What?</u></p> <ul style="list-style-type: none"> - TRIMs refers to the rules applicable to domestic regulations that a country applies on foreign firms trading/ investing in that country - Restricts preferential treatment for domestic firms 		

2014)	<p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Provides exemptions under govt procurements and negative list - India made its laws compliant well before end of transition period; no pending obligations in this regard 	<ul style="list-style-type: none"> - Prohibits traditional practices aimed at unfair promotion of domestic interests <ul style="list-style-type: none"> • Local Content Requirements • Domestic sales requirement & export restrictions • Trade balancing rules • Coercive transfer of technology • Fiscal incentives encouraging such behaviour <p><u>Debates/ critiques</u></p> <ul style="list-style-type: none"> - Requires at par or better treatment of foreign firms - Dvping ctries -- opposition based on 'infant industry argument' - Dvped ctries -- oppose to an extent owing to Krugman's 'Strategic Trade Theory' - Prevents restrictions on areas of investment <ul style="list-style-type: none"> • Could potentially harm strategic interests of the developing nations whose key sectors would be forced to act according to external priorities - These also act as check against industrialisation of the developing countries - The BoP argument - centred on debt creating impact of foreign investment and unbalanced BoP -- exposes domestic economy to external shocks 	
7. What are India's gains under WTO regime wrt (i) service sector, (ii) Globe-Hex model? (20,2011)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - India - founding member of WTO at the Uruguay Round <p><u>Conclusion:</u></p> <p>---</p>	<p><u>(i) Services sector</u></p> <ul style="list-style-type: none"> - WTO agreement on services is GATS w/ 4 modes of ss of services internationally - Services sector is engine of post-reform Indian growth - Increasing share in global services exports <ul style="list-style-type: none"> • 1980s & 90s -- <1%; 2017: 3.4% - WTO, 2016: India - 8th largest exporter of commercial services - Significant presence in global BPO services due to cheap, highly skilled labour + rapidly expanding IT sector - Significant growth in FDI inflows in services (70%) - Efficiency gains in liberalised subsectors - IT, ITes, banking, communication - Growth benefits to rest of the economy - Growing role of software and business services in exports - Slight trade surplus in services helped partially offset persistent trade deficit in goods - India's offensive interests in Mode 1 & Mode 4 under GATS - Export of skilled labour to USA, Middle East (largest diaspora) - Mode 4 <p><u>(ii) Globe-Hex model</u></p> <ul style="list-style-type: none"> - By Prof Justin Paul - 6 strategies for developing countries' success under globalisation - (A) agriculture promotion <ul style="list-style-type: none"> • WTO AoA helps integrate agri into global economy • Stabilisation of domestic prices • Vent for surplus • Income support through contract farming eg PepsiCo • Exports from Food Processing industry • Largest exporter of dairy, cereals and horticulture - (B) infrastructure development <ul style="list-style-type: none"> • FDI inflows aided by TRIMS compliant policy - (C) ELG strategy <ul style="list-style-type: none"> • Followed in services sector • Engine of growth since 1990s - (D) import of raw materials <ul style="list-style-type: none"> • APIs from China - rapid expansion of Indian pharma industry • Largest refineries, surplus output mostly exported - (E) safeguards under unrealistic imports <ul style="list-style-type: none"> • Use of SSM Special Safeguard Mechanisms & designation of SPs • Prevent evergreening of pharma patents • Compulsory licensing for domestic manufacturing - (F) proactive & planned participation <ul style="list-style-type: none"> • India's 5 year Foreign Trade Policy agenda documents • Active member of WTO Negotiations & Dispute Settlement Mechanisms • Lobbying for domestic interests at various MCs 	
8. Describe the structure of WTO with reference to five main agreements. (30, 2010)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Formed as a result of 8th round of GATT at Uruguay aka Uruguay round <p><u>Conclusion:</u></p> <p>---</p>	<p>- Principles:</p> <ul style="list-style-type: none"> • Rules based, fair & transparent int'l trade <p><u>Structure</u></p>  <p>- Ministerial Conference - apex body; meets every 2 years; 12th MC scheduled for Geneva 2021</p> <p>- General Council <ul style="list-style-type: none"> • All members of WTO • Also acts as Trade Policy Review Body • Ensures transparency of domestic legislations & Dispute Settlement Body </p> <p><u>Main agreements</u></p> <p><u>GATT</u></p> <ul style="list-style-type: none"> - WTO's predecessor - Subsumed under WTO as umbrella treaty for trade in goods <p><u>Agreement on Subsidies & Countervailing Measures (CSM)</u></p> <ul style="list-style-type: none"> - Defined subsidies - Categorised into prohibited & actionable subsidies - Also applicable to sub-national govts <p><u>AoA</u></p> <ul style="list-style-type: none"> - To remove trade barriers, enable transparent market access & integrate global markets in agri - 3 pillars <ul style="list-style-type: none"> • Reduction commitments for domestic support • Market access through tariffication • Promoting export competition by eliminating export subsidies 	

		<p>- Also includes agreements on TBT Technical Barriers to Trade, SPS Sanitary & Phytosanitary Measures, SP Special Products</p> <p><u>TRIPS</u></p> <ul style="list-style-type: none"> - Sets down minimum standards of IP regulation - Covers additional areas along w/ those covered under the Paris & Berne Conventions - Includes agreements on Pharma & Public Health, GI Tag, Traditional Knowledge, Biodiversity Patentability <p><u>TRIMS</u></p> <ul style="list-style-type: none"> - Refers to rules applicable to domestic regulations which a country applies to foreign firms investing in that country - Restricts preferential treatment for domestic firms by prohibiting practices of domestic content requirement, forced technology transfers, employment restrictions, related fiscal incentives 						
GS 2 - WTO								
1. What are the key areas of reform if the WTO has to survive in the present context of "Trade War", especially keeping in mind the interest of India?	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 							
2. "The broader aims and objectives of WTO are to manage and promote international trade in the era of globalization. But the Doha round of negotiations seem doomed due to differences between the developed and the developing countries." Discuss in the Indian perspective	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 							
3. WTO is an important international institution where decisions taken affect countries in a profound manner. What is the mandate of WTO and how binding are their decisions? Critically analyse India's stand on the latest round of talks on Food security.	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 							
New EXIM Policy								
Describe the salient features of New Foreign Trade Policy (2015-20) in India. Examine its role in improving the current account balance. (15,2020)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Aim: make India a significant global trade participant <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<p><u>Salient features</u></p> <ul style="list-style-type: none"> - 5 schemes merged into one - MEIS -- w/ added benefits of rewards for export of notified goods under it to be payable as a % of realised FOB value - Policy replaced Service Exports from India scheme SEIS w/ Served from India Scheme -- applies to <u>service providers located in India</u> irresrp of profile - Export incentives under MEIS, SEIS -- fully transferable duty credit scrips -- used by exporters to pay import duties, excise duty on domestic procurement of inputs, payment of service tax on procurement of services - Enabled 'status holder' mfgers to self-certify their mfg goods as made in India to qualify for preferential treatment under various agreements - Reduced export obligation for domestic procurement under EPCG scheme to 75% -- prev at 90% (to promote domestic capital goods mfg industry) - Acknowledged 108 MSME as robust approach for export promotion - Paperless filing of various DGFT licences, applications <p><u>Role in improving current account balance</u></p> <p>- Export</p> <table border="1"> <tr> <td>2015</td> <td>\$268 bn</td> </tr> <tr> <td>2019</td> <td>\$324 bn</td> </tr> </table> <ul style="list-style-type: none"> - Rise in exports not as much as anticipated in policy - Current FTP -- subsidy driven - Inadequate focus on skill dvpment, tech upgradation - Indian exporter unable to compete w/ foreign exports -> modest increase in exports -- limited role of FTP in improving current account balance 	2015	\$268 bn	2019	\$324 bn		
2015	\$268 bn							
2019	\$324 bn							
2. Examine the new EXIM policy. Given the tough competition in international trade, what corrective measure would you suggest to make it more successful in boosting Indian exports? (30,2012)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - New EXIM policy launched in 2015 - Aim: double India's exports <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<p><u>Salient goals</u></p> <ul style="list-style-type: none"> - Stable and sustainable policy envi & regime - Linking rules, procedures & incentives for eports & imports w/ other initiatives -- Make in India, Digital India, Skill India - Diversifying India's exports - Strengthening governance architecture for India's global trade engagements - Correcting trade imbalance in India's external engagements 						
a. Bring out the salient features of New EXIM Policy of Gol. (10, 2016)		<p><u>Salient features</u></p> <ul style="list-style-type: none"> - Launch of MEIS & SEIS under this scheme -- consolidation of multiple schemes into one -- easy implementation - Export obligation reduced by 25%; incentives under MEIS, SEIS extended to units of SEZs - FTP to be aligned w/ Make in India, Digital India, Skill India initiatives - Agri & village industry products to be supported across the globe at rates of 3-5% under MEIS - Specific measures to facilitate entry of new entrepreneurs, manufacturers in global trade --- extensive training programmes - Niryat Bandhu Scheme -- revamped to help achieve objectives <p><u>Evaluation</u></p>						
<input type="checkbox"/> New FTP likely to be launched in Apr 2022 -- ORF paper		<p><u>Policy challenges</u></p> <ul style="list-style-type: none"> - akjjj <p><u>Operational challenges</u></p> <ul style="list-style-type: none"> - klaj 						

<input type="checkbox"/> 2020 WTO Trade Policy Review of India		- India makes extensive use of trade policy instruments such as tariffs, export restrictions, export taxes, anti-dumping duties, import licensing - Arvind Panagariya: such tools create uncertainties, induce distortions in int'l trading system										
3. Do you think the recent appreciation of Indian currency is harming India's exports? Can it have a beneficial side too? Explain in brief. (10,2017)	Intro: - Appreciation under flexible exchange rates -- increase in value of domestic currency against a given single/ basket of foreign currencies Conclusion - ___	<u>Impact on export competitiveness</u> - w/ same amt of foreign currency, foreign consumers can buy less amt of Indian goods - Export uncompetitive - Demand for export shrinks <u>Beneficial side</u> - Import sasta - Dependence on oil import - Expanding Tobin's q theory of investment to int'l import of capital goods, currency appreciation is a good time for firms to build additional stocks of physical capital - Reduction in logistics cost & production cost due to cheap oil - Price reduction -- can offset appreciation in currency										
4. <input type="checkbox"/> What are the key initiatives proposed in Foreign Trade Policy, 2009 - 2014 for market diversification and technological upgradation to give a boost to exports? (10,2013)	Intro: - ___ Conclusion - ___											
5. <input type="checkbox"/> Examine the challenges to export diversification and increase in export competitiveness of India. (20,2011)	Intro: - ___ Conclusion - ___	- Challenges to export diversification - Challenges to export competitiveness in India										
6. <input type="checkbox"/> Write a note on the broad trend of India's foreign trade and current account balance during roughly the last one decade. (15,2017) <input type="checkbox"/> Eco Sur <input type="checkbox"/> Mains 365	Intro: - Current account balance provides a measure of the ability of exports to finance imports in the country. - India has consistently faced current account deficit since independence. - Current account surplus of 3.1% was witnessed in first half of 2020-21 due to 21.1% fall in merchandise exports but 38.8% fall in merchandise imports. Conclusion - ___	<u>Trend in Current Account last decade</u> - Marginal surplus witnessed in 00's decade - Rising CAD in second half of decade; hit 3% of GDP in aftermath of GFC - 2009-10 to 2010-11: CAD avg at 2.7% of GDP - CAD largely financed by capital inflow <u>Trend in Foreign Trade</u> - Import continuously higher than export - Highest weight in import basket - petroleum - Diamond: highest export item - Max export to US - Max import from China - High dependence on imported oil for energy security - Low export of manufacturing goods										
7. <input type="checkbox"/> Write on Indo-ASEAN trade relations. (15,2011)	Intro: - ___ Conclusion - ___											
8. <input type="checkbox"/> Write on the Look East Policy of India. (15,2014)	Intro: - In 1991 under PM PV Narasimha Rao Conclusion - Multifaceted importance of SE Asia	- Objective: • Political, economic, security cooperation w/ cties in SE Asia - Facts: • 30% of India's external trade w/ ASEAN • Bilateral increase in FDI flows • India's trade w/ ASEAN <table border="1" data-bbox="667 1249 810 1305"> <tr><td>1990</td><td>USD 2.4bn</td></tr> <tr><td>2005</td><td>USD 23 bn</td></tr> </table> • India's trade w/ East Asia Summit members <table border="1" data-bbox="667 1335 810 1391"> <tr><td>1990</td><td>USD 8bn</td></tr> <tr><td>2005</td><td>USD 68bn</td></tr> </table> - Present phase: • Transformation from Look East to Act East • Seek to deepen economic integration w/ RCEP • Bilateral + multilateral agreements & investment treaties • Underway w/ Singapore, Thailand, Malaysia, Indonesia	1990	USD 2.4bn	2005	USD 23 bn	1990	USD 8bn	2005	USD 68bn		
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2005	USD 23 bn											
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2005	USD 68bn											
9. <input type="checkbox"/> In view of fresh fears of global financial crisis arising out of decelerating credit rating of the U. S. economy and sovereign debt crisis in peripheral Euro-Zone economies analyse its likely impact on India's trade and growth performance. Suggest measures to contain it. (40,2011)	Intro: - ___ <u>Conclusion</u> - ___											

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New Exchange Rate Regime

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc
Partial and Full Convertibility, Capital Account Convertibility					
1. <input type="checkbox"/> Do you think that Indian currency is fully convertible? Explain. (10,2020)	Intro: - Full convertibility of a currency implies freedom to convert local assets, real and financial, into foreign financial assets and vice versa at market determined rates of exchange	<u>Convertibility in India</u> - Full current account convertibility - Partial capital account convertibility <u>Full current account convertibility significance & implications</u> - <u>Partial current account convertibility significance & implications</u> -			

	<p><u>Conclusion:</u> - ___</p>																																
2. <input type="checkbox"/> Is India ready for full capital account convertibility? Assess. (30,2011)	<p><u>Intro:</u> - ___</p> <p><u>Conclusion:</u> - ___</p>																																
3. <input type="checkbox"/> Examine the role of capital account convertibility in controlling deficit in the current account of India's BoP. (15,2019)	<p><u>Intro:</u> - Capital Account convertibility (CAC) = freedom to convert local financial assets into foreign financial assets (debt, equity, other investments) and vice versa at market determined rates of exchange - India: persistent BoP deficit due to CAD -> net importer of capital - Rupee -- full convertibility on current account; partial on capital account due to restrictions on capital txns, mostly on borrowing from abroad</p> <p><u>Conclusion:</u> - CAC might worsen the CAD through downward pressure on \$-₹ exchange rate - It might boost competitiveness of few capital starved firms -- promoting them to import and export more - Net impact on CAD ambiguous</p>	<p><u>Positive Role of CAC in controlling CAD</u> - Attracts foreign capital in India; inflow of FDI & FII bridges CAD - Foreign capital inflow helps to keep interest rate low -> reduces cost of production -> increases global competitiveness of domestic firms - FDI in infra & port construction reduces logistics cost -> helps attract value chains in India -> bolsters export - Competitiveness of capital starved industries improves w/ access to cheap credit & equity from foreign instis o Rodrik -- little evidence supporting this claim though, b'cos inflows mainly short-term, speculative</p> <p><u>Negative role of CAC in controlling CAD</u> - Excessive inflow -> appreciation of currency -> affects export competitiveness o J-Curve effect -- import more inelastic in SR --> CAD improves; eventually worsens - Large outflows in the event of economic shock/ minor corrections in developed markets -> capital account deficit -> negative impact on BoP o Eg 1997 Asian Crisis</p> <p>- A boost in debt domestically might also increase domestic output (since bank lending is low in India -- only 50% of GDP) which spurs imports (oil etc.) as demand rises.</p> <p><u>Way forward:</u> - To negate negative effect, CB must exercise some degree of control over exchange rate - Need of strong economic fundamentals for this - Uma Kapila -- net impact depends on quality of FDI as well as regulatory quality -- strengthen the latter to attract former - Fulfil Tarapore Committee recommendations before introducing full capital account convertibility</p>																															
4. <input type="checkbox"/> Do you believe that capital account convertibility is feasible under the present circumstances in India? Explain. (20,2018)ni	<p><u>Intro:</u> - Capital Account Convertibility is the freedom to convert local financial assets into foreign financial assets and vice versa at market determined interest rates. - Aka Capital Asset Liberalisation - In 1993, India became fully convertible on the current account; not so on capital account till date</p> <p><u>Conclusion:</u> - Yet to fulfil many of the conditions laid down by Tarapore Committee; must not go with CAC rn</p>	<p>- Feasibility - Tarapore Committee has provided 3 crucial preconditions for Capital Account Convertibility:</p> <table border="1"> <thead> <tr> <th>Condition</th> <th>Recommendation</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>Fiscal consolidation</td> <td>Gross Fiscal deficit - 4.5% - 3.5% of GDP</td> <td>COVID!</td> </tr> <tr> <td></td> <td>Consolidated sinking fund to meet govt's debt repayment needs</td> <td>Constituted by RBI for States</td> </tr> <tr> <td>Mandated inflation target</td> <td>Inflation rate b/w 3-5% on avg</td> <td>RBI Amendment Act, 2016 -- mandated inflation targeting fw for RBI MP</td> </tr> <tr> <td rowspan="2">Strengthen financial system</td> <td>Gross NPA in PSBs - 13.7% to 5%</td> <td>Fell to ~8% in early 2020; expected to rise back to ~14% in backdrop of COVID</td> </tr> <tr> <td>CRR<3%</td> <td>Currently at ___</td> </tr> <tr> <td></td> <td>Decontrolled interest rates</td> <td>Already done</td> </tr> <tr> <td></td> <td>RBI should have a monitoring Exchange Rate Band of +-5% around a neutral REER</td> <td></td> </tr> <tr> <td></td> <td>Bring down debt servicing ratio from 25% to 20%</td> <td>Currently at 18%</td> </tr> <tr> <td></td> <td>Forex reserves more than \$22 bn</td> <td>Currency about \$400 bn</td> </tr> </tbody> </table>	Condition	Recommendation	Status	Fiscal consolidation	Gross Fiscal deficit - 4.5% - 3.5% of GDP	COVID!		Consolidated sinking fund to meet govt's debt repayment needs	Constituted by RBI for States	Mandated inflation target	Inflation rate b/w 3-5% on avg	RBI Amendment Act, 2016 -- mandated inflation targeting fw for RBI MP	Strengthen financial system	Gross NPA in PSBs - 13.7% to 5%	Fell to ~8% in early 2020; expected to rise back to ~14% in backdrop of COVID	CRR<3%	Currently at ___		Decontrolled interest rates	Already done		RBI should have a monitoring Exchange Rate Band of +-5% around a neutral REER			Bring down debt servicing ratio from 25% to 20%	Currently at 18%		Forex reserves more than \$22 bn	Currency about \$400 bn		
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5. 'Partial Capital Account Convertibility cannot serve the purpose of integrating Indian economy with world economy.' Critically examine. (10,2016)	<p><u>Intro:</u> - ___</p> <p><u>Conclusion:</u> - ___</p>	<p>Capital account convertibility is freedom to convert local financial assets into foreign financial assets and vice versa at market determined rates of exchange. India currently have partial capital account convertibility. There are continuous demand for full capital account convertibility.</p> <p>It is said that Indian rupee is overvalued. With full capital account convertibility, exchange rate might calibrate to its actual value. It might help India to increase its export.</p> <p>Full capital account convertibility can increase flow of FDI and FPI in the economy. It will also help Indian firms to borrow at low cost from global market.</p> <p>However full capital account convertibility has some risk. It increases vulnerability of economy to shocks. There could be large capital inflow or outflow due to economic shocks. ASEAN crisis suggest that it can lead to crisis in the economy.</p> <p>It is seen that China and Japan also don't have full capital account convertibility. However these two countries are more integrated with world than India. Thus it can be said that partial capital account convertibility is not necessary for global integration of economy.</p>																															
6. <input type="checkbox"/> Do you think that full convertibility of rupee on capital account will help in accelerating India's economic growth? Give reasons. (10,2015)	<p><u>Intro:</u> - ___</p> <p><u>Conclusion:</u> - ___</p>	<p>Capital account convertibility refers to, freedom to convert local financial assets into foreign financial assets and vice versa at market determined rates of exchange.</p> <p>Role of full capital account convertibility in accelerating India's economic growth</p> <p>Capital account convertibility attracts foreign capital in India. Inflow of FDI and FII bridges current account deficit. Also it brings technology with them. Foreign capital inflow helps to keep interest rate low. It reduces cost of production and thus make our firms competitive in global market. FDI in infrastructure and port construction reduces logistic cost. It helps in attracting value chains in India and thus increasing export</p>																															

		<p>However excessive capital inflow appreciates currency. It affects our export competitiveness. Due to economic shock there could be large foreign out flow. It creates deficit in capital account which affects BoP. In 1997 similar situation was seen in ASEAN countries.</p> <p>To negate negative effect of capital account convertibility, central bank should have some control over exchange rate. To assure this strong economic fundamentals are needed. Thus India should introduce full capital account convertibility only after meeting conditions of Tarapore committee.</p>			
7. Discuss the issues involved in Capital Account Convertibility. In the light of this, explain India's important capital account liberalisation measures. (15,2014)	<p><u>Intro:</u> - Capital Account Convertibility -- freedom to convert local financial assets into foreign financial assets & vice versa at market determined rates of exchange - Continuous dd for full capital acc convertibility</p> <p><u>Conclusion:</u> - __</p>	<p><u>Issues w/ full capital acc convertibility</u> - Excessive K inflow during good times -> currency appreciation -> uncompetitive exports + too much imports, probably wasteful (i.e. Conspicuous consumption) - Shocks -> large outflow -> Capital acc deficit in BoP • 1997 Asian Crisis</p> <p><u>Measures for Capital Acc Liberalisation in India</u> - FDI under automatic route allowed in many sectors - Indian corporate -- allowed full convertibility under automatic route upto \$500 mn overseas ventures (investment by Ltd companies in foreign cties allowed) - Indian corporate -- allowed to repay their ECBs via automatic route if the loan is above \$500 mn - Individuals allowed to invest in foreign assets, shares, etc -- upto \$2,50,000 p.a. - No upper cap limit on gold imports</p> <p><u>Way forward</u> - Fulfil conditionalities laid down under Tarapore Committee to move towards full capital account convertibility</p>			
8. □ "Partial capital account convertibility cannot serve the purpose of integrating Indian economy with global economy." Analyse critically. (10,2013)	<p><u>Intro:</u> - __</p> <p><u>Conclusion:</u> - __</p>				
9. Would a flexible exchange rate regime serve India better than a fixed exchange rate regime in the current international scenario? (12,2012)	<p><u>Intro:</u> - __</p> <p><u>Conclusion:</u> - __</p>				
10. How global financial crisis and sovereign debt crisis of European nations exposed the disturbing role of speculative motive and fiscal imprudence? What lesson could India derive from it? (15,2014)	<p><u>Intro:</u> - The global financial crisis (GFC) refers to the period of extreme stress in global financial markets and banking systems between mid 2007 and early 2009. - The European sovereign debt crisis was a period when several European countries experienced the collapse of financial institutions, high government debt, and rapidly rising bond yield spreads in government securities.</p> <p><u>Conclusion:</u> - __</p>	<p><u>Disturbing role of speculative motive</u> - Aggravates fluctuations</p> <p><u>Disturbing role of fiscal imprudence</u> - Profligacy of sovereigns in EU (Greece) -> weak capacity to deal w/ crisis - __</p> <p><u>Lessons</u> - 1st: • financial sector issues should not be overlooked. • Any excessive credit expansion in financial market should be regulated on time. • Any speculation should be controlled before it becoming bubble. - 2nd: • overleveraged state can be problematic. • State should follow the fiscal prudence. • Excessive fiscal deficit and government deficit can damage macro economic framework of the country. • It can also lead to sovereign debt default. In the medium term it can harm countries growth potential and credibility. - 3rd: • in the globally linked world crisis anywhere is threat to economic development everywhere. • Thus India should be vigilant on development of global crisis. • In any such crisis government should be ready to deal it with fiscal, monetary, regulatory and policy tools.</p>			
11. □ "Speculators may do no harm as bubbles on a steady of enterprise, but the position is serious when enterprise becomes the bubble on whirlpool of speculation. When enterprise becomes a by-product of the activities of a casino, the job is likely to be undone." Explain in the context of global financial crisis and its impact on Indian economy. (25,2013)	<p><u>Intro:</u> - __</p> <p><u>Conclusion:</u> - __</p>				

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New Economic Policy and Public Finance

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc
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Fiscal Responsibility Act								
<p>1. Discuss the role of FRBM Act, 2003 in improving the fiscal health of the State finances in India. (15,2020)</p>	<p><u>Intro:</u> -FRBM enacted in 2003</p> <p><u>Conclusion:</u> - —</p>	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> -Transparent fiscal mgmt systems -More equitable & manageable intertemporal distn of nation's debt -Fiscal stability in the LR <p><u>Assumptions</u></p> <ul style="list-style-type: none"> -Low fiscal deficits -> higher, sustained growth -Large fiscal deficits -> higher inflation -Large fiscal deficits -> external vulnerability of economy increases <p><u>Salient features</u></p> <ul style="list-style-type: none"> -Annual targets for reduction in deficits -Cap on level of guarantees, total liabilities of govt -Prohibits primary borrowing by govt frmo RBI -Prohibits printing money by RBI for deficit financing, except under exceptional circumstances -Mandates publication of 3 documents with Annual Financial Statement <ul style="list-style-type: none"> • Macro-Economic Framework Statement • Medium Term Fiscal Policy • Fiscal Policy Strategy Statement -Provision of escape clauses for exceeding annual deficit target on grounds of national security, war, calamity, structural reforms <p><u>Significance</u></p> <ul style="list-style-type: none"> -Switching expenditure from revenue to capital -Aids GDP growth -- <ul style="list-style-type: none"> • Capital expenditure multiplier - 2.45 v/s • Revenue expenditure multiplier - 0.99 <p><u>Critique</u></p> <ul style="list-style-type: none"> -Basis for setting numerical targets not provided -must be based on <ul style="list-style-type: none"> • Crowding out impact on private investment • Debt sustainability consideration -Jayati Ghosh & CP Chandrashekhar -- flawed assumptions -Asymmetry - states require centre's permission to borrow; but similar checks not instituted on Centre -Silent on revenue generation -0% revenue deficit target -- may lead to govt cutting down on social sector spending -Apportionment of debt b/w Centre & State <ul style="list-style-type: none"> • Higher devolution to states by 14th & 15th FC must be accompanied by liberal fiscal deficit target for centre vis-a-vis states • Inflexible targeting would constrain Centre <p><u>Way Forward</u></p> <ul style="list-style-type: none"> -Establishment of independent Fiscal Council, recommended by 13th, 14th, 15th FC -Transition to cyclically adjusted fiscal deficit fw, in consonance w/ counter-cyclical policy stance -Use of range/ band targets rather than point targets, linked to multiple indicators like govt's debt level, interest service obligations, revenue deficit 						
<p>2. Explain the salient feature of the Fiscal Responsibility Act. Explain to what extent has the Government of India been able to adhere to the provisions of this Act? (30,2012)</p>	<p><u>Intro:</u> - —</p> <p><u>Conclusion:</u> - —</p>	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> -Transparent fiscal management systems -More equitable and manageable distribution of country's debt over the years -Aim for fiscal stability in the long run <p><u>Assumptions</u></p> <ul style="list-style-type: none"> -Low fiscal deficits -> higher sustained growth -Large fiscal deficits -> high inflation -Large fiscal deficit -> high external vulnerability of economy <p><u>Salient features:</u></p> <ul style="list-style-type: none"> -Annual targets for reduction in deficits -Cap on level of guarantees and total liabilities of govt -Prohibits RBI participation in primary market for G-Secs -Prohibits printing money by RBI for deficit financing; except under exceptional circumstances -Mandates publication of 3 documents w/ Annual Financial Statement <ul style="list-style-type: none"> • Macro-economic fw statement • Medium term fiscal policy • Fiscal policy strategy statement -Escape clause for exceeding annual deficit targets on grounds of national security, war, calamity, structural reforms <p><u>Significance:</u></p> <ul style="list-style-type: none"> -Shift from revenue expenditure to capital expenditure -Aids GDP growth: multiplier values (India) <table border="1" data-bbox="639 1883 858 1944"> <tr> <td>Capital expenditure</td> <td>2.54</td> </tr> <tr> <td>Revenue expenditure</td> <td>0.99</td> </tr> </table> <p><u>Critique</u></p> <ul style="list-style-type: none"> -Basis for setting numerical targets not provided <ul style="list-style-type: none"> • Must ideally be based on crowding out impact on pvt investment • Debt sustainability considerations -Rejected by CP Chandrashekhar & Jayati Ghosh on grounds of flawed assumptions -Asymmetry - states require Centre's permission to borrow; 	Capital expenditure	2.54	Revenue expenditure	0.99		
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		<p>parallel checks on Centre missing</p> <ul style="list-style-type: none"> - Silent on revenue generation - 0% revenue deficit target -> may lead to govt cutting down on social sector spending - Apportionment of debt b/w Centre & States <ul style="list-style-type: none"> • Higher devolution to states by 14th, 15th FC must be accompanied by liberal fiscal deficit target for centre vis-a-vis states; inflexible targeting would constrain Centre <p><u>Way Forward:</u></p> <ul style="list-style-type: none"> - Estb of indep Fiscal Council, recommended by 13th, 14th & 15th FC - Transition to cyclically adjusted fiscal deficit fw in consonance w/ counter cyclical policy stance - Use of range/ band targets rather than point targets, linked to multiple indicators like govt debt level, interest service obligations, revenue deficit - NK Singh Committee -- suggested using debt as the primary target for fiscal policy; deadline: 2023 									
3. What are the salient features of FRBM Act? Examine the criticisms levelled against it. (20,2014) a. Critically examine the salient features of the Fiscal Responsibility Act. (10,2016)	<p><u>Intro:</u></p> <p>- —</p> <p><u>Conclusion:</u></p> <p>- —</p>										
4. Write on second-generation economic reforms in India. (15,2011)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - The second generation reforms were introduced in 2000-01 to augment the impacts of and provide a course correction for the challenges induced by the first generation of economic reforms ushered in after the 1991 BoP Crisis. <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - The agenda of deepening and widening impact of economic reforms were further carried on in the 3rd Gen reforms, with the objective of 'Inclusive Growth & Dvpmnt' laid out in 10th FYP 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> - Strengthening rural economy -> agricultural & allied - Nurture knowledge based industries - IT, Pharma, biotech - Modernisation of traditional industries - Priority to human resources development with special emphasis on weaker sections - Credible framework on fiscal discipline <p><u>Major components:</u></p> <ul style="list-style-type: none"> - Factor market reforms -- abolition of APM (Administered Price Mechanism) - Public sector reforms <ul style="list-style-type: none"> • Increased functional autonomy • Freer leveraging in capital markets • International tie-ups • Strategic disinvestment - Administrative reforms <ul style="list-style-type: none"> • Transition from controller to facilitator - Reforms in critical areas <ul style="list-style-type: none"> • Infrastructure reforms - power, roads, telecom • Agriculture • Education & healthcare - State govt led economic reform measures, Centre relegating itself to merely a supportive role - FRBM Act, 2003 - fiscal consolidation and discipline - Increased fiscal autonomy to states through increased in devolutions from Finance Commission, Planning Commission 			Other generations of reforms in India						
5. Second generation economic reforms are crucial for raising the growth rate of economy. Throw light on these dimensions. (10,2014)	<p><u>Intro:</u></p> <p>- —</p> <p><u>Conclusion:</u></p> <p>- —</p> <p>Coined by IMF; not defined though -> can include any reforms under 2nd Gen :p</p>	<p><u>Role in raising growth rate of the economy:</u></p> <p>- —</p> <p>Second generation of economic reforms in the country gave special stress on fiscal reforms, financial reforms, structural reforms, labour law reforms etc.</p> <p>Fiscal reforms has to undertaken for broadening the income tax base and introducing GST. There is also need to streamline tax structure so that it become conducive to growth.</p> <p>It is seen that complex and rigid labor laws are major hinderance in the development of manufacturing sector. Its streamlining will ensure the growth of manufacturing sector.</p> <p>India has to work on improving Ease of Doing Business. It will help to attract foreign capital in India. Currently red tapism is hindering growth process. Single window system and digital system can reduce the delay.</p> <p>Agriculture growth has been stagnated from long time. There is need to focus on agricultural reforms. Liberalisation of agriculture market and investment in the capital infrastructure will increase the growth rate of agriculture.</p> <p>Thus second generation will remove bottlenecks in the development of Indian economy. It will help us to achieve double digit growth rate.</p>									
Finance Commission											
1. Give a short analysis of the state of devolution of resources from the Centre to the States in India in the light of fiscal federalism. (15,2017)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Fiscal federalism in India necessitates devolution of resources from the Centre to States. This is done through 3 main channels: <ul style="list-style-type: none"> • Tax devolutions • Grants -in-aid • Transfer of resources from Centre to States outside the FC awards 	<p><u>State of Devolution:</u></p> <p>(A) FC recommendations:</p> <table border="1"> <thead> <tr> <th>Recommendation</th> <th>Analysis</th> </tr> </thead> <tbody> <tr> <td>Increased vertical share from 29.5% (11th FC) to 41% (15th FC)</td> <td>- (-) Actual devolution to states fell short - (-) Peaked at 36.6% in 2017-18</td> </tr> <tr> <td>14th FC recommended abolition of 'Special Category States'</td> <td>- (+) removes political discretion in resource</td> </tr> </tbody> </table>	Recommendation	Analysis	Increased vertical share from 29.5% (11th FC) to 41% (15th FC)	- (-) Actual devolution to states fell short - (-) Peaked at 36.6% in 2017-18	14th FC recommended abolition of 'Special Category States'	- (+) removes political discretion in resource			
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	<p><u>Conclusion:</u> - State of devolutions below expectations</p>	<table border="1"> <tr> <td></td> <td>transfer - (-) confusion regarding continuity of privileges & provisions</td> </tr> <tr> <td>Increased share of cesses & surcharges for resource mobilisation by Centre</td> <td>- (-) outside the divisible pool - Decreased share of states in absolute terms</td> </tr> <tr> <td>Grants-in-aid</td> <td>- Increase in absolute terms - Proportional share b/w 12-19% in recent FC recos</td> </tr> <tr> <td>Increase in tied grants, linked to performance on national goals</td> <td>- Reduced fiscal space for states</td> </tr> </table> <p>(B) Outside FC awards:</p> <table border="1"> <thead> <tr> <th>Case</th> <th>Analysis</th> </tr> </thead> <tbody> <tr> <td>GST Compensation Fund shortfall due to COVID-19</td> <td>- Centre retreated on legal obligations - Provided special window for borrowing, accepted by all states & UTs w/ legislatures</td> </tr> <tr> <td>Article 282</td> <td>- Misuse by Centre to transgress into subjects of State List</td> </tr> <tr> <td>Absence of State Finance Commissions</td> <td>- Poor devolution to local bodies</td> </tr> </tbody> </table> <p><u>Analysis from perspective of Fiscal Federalism:</u> -</p>		transfer - (-) confusion regarding continuity of privileges & provisions	Increased share of cesses & surcharges for resource mobilisation by Centre	- (-) outside the divisible pool - Decreased share of states in absolute terms	Grants-in-aid	- Increase in absolute terms - Proportional share b/w 12-19% in recent FC recos	Increase in tied grants, linked to performance on national goals	- Reduced fiscal space for states	Case	Analysis	GST Compensation Fund shortfall due to COVID-19	- Centre retreated on legal obligations - Provided special window for borrowing, accepted by all states & UTs w/ legislatures	Article 282	- Misuse by Centre to transgress into subjects of State List	Absence of State Finance Commissions	- Poor devolution to local bodies		
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<p>2. What are the major recommendations of the Fourteenth Finance Commission? (20,2015) (Answering for 15th FC)</p>	<p><u>Intro:</u> - The 15th FC had been setup under the chairman of Sh NK Singh, and submitted 2 reports - (i) for 2020-21 and (ii) for 2021-26</p> <p><u>Conclusion:</u> - 15th FC through its recommendation has aimed at providing a balanced path to achieve national goals of social sector development, sustainability and empowerment of local govts</p>	<p><u>Recommendations:</u> - Vertical devolution: at 41% of the divisible pool for the states; decrease of 1% from 14th FC to account for needs of the UT of J&K and Ladakh - Horizontal devolution: based on 6 criteria</p> <table border="1"> <tr> <td>Income distance</td> <td>45%</td> </tr> <tr> <td>Geographical area</td> <td>15%</td> </tr> <tr> <td>Population (2011)</td> <td>15%</td> </tr> <tr> <td>Demographic performance</td> <td>12.5%</td> </tr> <tr> <td>Forest & Ecology</td> <td>10%</td> </tr> <tr> <td>Tax & fiscal efforts</td> <td>2.5%</td> </tr> </table> <p>- Provision of 8 sector specific grants, including health, education and implementation of agri-reforms; with a performance linked portion - Provision of state specific grants to aid development in social needs, water and sanitation and physical infra - Formation of high level committees to monitor utilisation of funds - Largest ever grants to local bodies at 4.3% of total divisible pool; conditional on formation of State Finance Commission by 2024 - Fiscal Roadmap -- bring down Union fiscal deficit to 4% by 2025-26 and gradually for states to 3% by 2023-26 - Revenue mobilisation <ul style="list-style-type: none"> Strengthening income, asset based taxation Expanding coverage of TDS provisions Leverage potential of stamp duties & registration fees at state levels - Establishment of an advisory Fiscal Council to assess both Central & State govt records and encourage adoption of standard based accounting and financial reporting - Increase state spending on health beyond 8% of total budget; with emphasis on outcomes rather than inputs - Rationalisation of Central Sector Schemes w/ stable and transparent funding and 3rd party evaluation</p>	Income distance	45%	Geographical area	15%	Population (2011)	15%	Demographic performance	12.5%	Forest & Ecology	10%	Tax & fiscal efforts	2.5%						
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<p>3. Discuss the major recommendations of the Thirteenth finance Commission with regard to augmentation of resources of local governments. (20,2012) (answered for 15th FC)</p>	<p><u>Intro:</u> - Empowering local govt is a Constitutional priority under Art 40 (DPSP) and Part IX and IX-A of the Constitution.</p> <p><u>Conclusion:</u> - Thus, aimed at strengthening of institutional structures as well as improving efficiency and compliance by local bodies in order to empower not just the local govts but also citizens served by them.</p>	<p>- FC recos for local govts - Size of grant to local govts fixed as absolute amount rather than proportion of divisible pool <ul style="list-style-type: none"> -> ensures predictability of quantum + timing of lflow Total at ₹4.3 lakh crore (2021-26) - Performance linked grants to encourage efficiency and utilisation of funds - For distn among local bodies, 90% weight to population, 10% to geographical are - Mandatory constitution of SFCs by 2024 as a condition to receive grants for local bodies <ul style="list-style-type: none"> Mandated to act on recommendations & lay explanatory memorandum To be certified by Min of Panchayati Raj - Devolution of funds twice a year, in equal instalments after certification of entry level conditions - Entry level conditions <ul style="list-style-type: none"> Rural local bodies: provisional & audited accounts available online in the public domain Urban local bodies: provisional & audited accounts online in the public domain + fixation of minimum floor for property tax rates - Fulfilment of national priorities <ul style="list-style-type: none"> RLBs - 60% tied grants for sanitation, drinking water & rain water harvesting ULBs - 60% tied grants for sanitation + solid waste mgmt, drinking water, rain water harvesting, water recycling (for non Million plus cities) - Million Plus Challenge Fund - 100% performance linked for million plus cities <ul style="list-style-type: none"> 33% for ambient air quality 67% for water & waste mgmt - Distn of grants to all 3 tiers of PRIs + to areas not mandated to</p>																		

		<p>have Panchayats (under V, VI Schedules)</p> <ul style="list-style-type: none"> -Health infrastructure grants to be allocated on MoHFW recos, NOT per capita basis <ul style="list-style-type: none"> • To address gaps in primary health infra 																																															
Fiscal Federalism, Fiscal Consolidation																																																	
1. Distinguish between Fiscal Federalism and Fiscal Consolidation. Discuss the fundamental changes in Indian fiscal federalism after introducing GST. (20,2020)	<p><u>Intro:</u></p> <p>—</p> <p><u>Conclusion:</u></p> <p>—</p>	<p><u>Fiscal federalism</u></p> <ul style="list-style-type: none"> - Concerned with the system of revenue generation, allocation and redistribution among the federating units in a federal system, giving room for fiscal autonomy at regional level - Presupposes hierarchy - Governed by 3 major principles <ul style="list-style-type: none"> o Fiscal equivalency o Decentralisation o Subsidiarity <p><u>Fiscal consolidation</u></p> <ul style="list-style-type: none"> - Refers to the process and policies aimed at reducing fiscal deficit and debt accumulation of a govt - Concerned w/ one level of govt at a time - Driven by considerations of crowding out of private investments, debt sustainability and fiscal health of a govt <p><u>Impact of GST on Fiscal Federalism in India</u></p> <ul style="list-style-type: none"> - Subsumes multiplicity of indirect tax levies under single tax - Not included under FC recommendations - Sole administration by GST Council on rates, collections, redistribution - Promotes cooperative federalism as states & centres work w/ common purpose - States lose autonomy in deciding taxation rates based on expenditure plan <ul style="list-style-type: none"> o Until now, states could decide taxes on State list, VAT - GST Council fixes floor rates along w/ bands, allowing room for tinkering by states - GST Council is pro-federalism <ul style="list-style-type: none"> o States have vote share of 2/3rd o Decisions need 3/4th majority 																																															
2. What is fiscal federalism? Examine the role of various Finance Commissions since 2001 in reducing horizontal and vertical fiscal imbalances. (15,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Fiscal federalism is the system of revenue generation, allocation and redistribution among the federating units in a federal system which gives room for regional financial autonomy. - Considers vertical structure of public sector, fiscal policy institutions & their interdependence <p><u>Conclusion:</u></p> <p>—</p>	<p><u>NK Singh Committee has underlined 3 broad principles underlying Fiscal Federalism</u></p> <ul style="list-style-type: none"> - Fiscal equivalence <ul style="list-style-type: none"> • Separate jurisdiction for each public service - Decentralisation theorem <ul style="list-style-type: none"> • Jurisdiction of public service provision over minimum geographical area that internalises benefits & costs of such provision - Principle of subsidiarity <ul style="list-style-type: none"> • Fn should be performed at lowest possible level of govt <p><u>Role of FCs</u></p> <ul style="list-style-type: none"> - Until 10th FC, vertical devolution made from proceeds of income tax and union excise duties only. - 80th CAA made all taxes under Union list part of the divisible pool - Vertical devolution <ul style="list-style-type: none"> • Successively higher shares under each FC since 2001 <table border="1"> <thead> <tr> <th>FC</th> <th>Vertical share</th> </tr> </thead> <tbody> <tr> <td>11th</td> <td>29.5%</td> </tr> <tr> <td>12th</td> <td>30.5%</td> </tr> <tr> <td>13th</td> <td>32%</td> </tr> <tr> <td>14th</td> <td>42%</td> </tr> <tr> <td>15th</td> <td>41%</td> </tr> </tbody> </table> - Horizontal devolution <ul style="list-style-type: none"> • Before 2001, the most important criteria for horizontal devolution among states was need -- gradually shifted to equity and efficiency criteria, especially since 11th FC <table border="1"> <thead> <tr> <th>FC</th> <th>Need</th> <th>Performance</th> <th>Equity</th> </tr> </thead> <tbody> <tr> <td>1st</td> <td>80</td> <td>20</td> <td></td> </tr> <tr> <td>8th</td> <td>22.5%</td> <td>10</td> <td>67.5</td> </tr> <tr> <td>11th</td> <td>17.5</td> <td>12.5</td> <td>70</td> </tr> <tr> <td>12th</td> <td>35</td> <td>15</td> <td>50</td> </tr> <tr> <td>13th</td> <td>35</td> <td>17.5</td> <td>47.5</td> </tr> <tr> <td>14th</td> <td>42.5</td> <td></td> <td>50</td> </tr> <tr> <td>15th</td> <td>30</td> <td>15</td> <td>45</td> </tr> </tbody> </table> - Devolution to local bodies <ul style="list-style-type: none"> • Absolute as well as proportional shares have increase w/ Population (90%) and Geographical area (10%) as major considerations <p><u>FCs role in correcting vertical & horizontal imbalances:</u></p> <ul style="list-style-type: none"> - Increased share of states in divisible pool (vertical) - Increased use of efficiency & equity criteria for horizontal distribution among states - Increased share of grants to local bodies (17% in 11th FC to 44% in 15th FC) to empower third tier - Recommendation for constituting SFCs to improve vertical devolution at sub-national levels 	FC	Vertical share	11th	29.5%	12th	30.5%	13th	32%	14th	42%	15th	41%	FC	Need	Performance	Equity	1st	80	20		8th	22.5%	10	67.5	11th	17.5	12.5	70	12th	35	15	50	13th	35	17.5	47.5	14th	42.5		50	15th	30	15	45			
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		<p><u>12 th Finance Commission</u></p> <ol style="list-style-type: none"> 1. The total share of states in the total sharable central taxes to be fixed at 30.5%. According to 11th finance commission it was 29.5%. 2. Indicative amount of over all transfer to States may be fixed at 38 																																															

		<p>per cent of the central gross revenue receipts, as against 37.5% decided by 11 th Finance commission</p> <p>3. In 11 th finance commission, the grant for special problems of States was Rs. 1,129.00 crore. 12 th finance commission increased it to 7100 crore.</p> <p><u>13 th Finance Commission</u></p> <p>4. Initiatives should be taken to reduce the number of Centrally Sponsored Scheme. It will give flexibilities to states</p> <p>5. The share of states in net proceeds of shareable central taxes shall be 32 per cent</p> <p>6. The indicative ceiling on overall transfers to states on the revenue account may be set at 39.5 per cent of gross revenue receipts of the Center</p> <p><u>14 th Finance Commission</u></p> <p>7. The 14th Finance Commission is of the view that tax devolution should be the primary route for transfer of resources to the States. It was major step towards reducing vertical imbalance.</p> <p>8. The share of taxes of the center to states is recommended to be increased from 32% to 42%.</p> <p>9. In recommending an horizontal distribution, it has used broad parameters – population (1971), changes in population since then, income distance, forest cover and area, among others.</p>			
3. The chequered fiscal history of India of the last fifteen years has been a saga of fiscal prudence on the part of the States and fiscal profligacy by the Centre. Do you agree? Give reasons. (15,2018)	<p><u>Intro:</u></p> <p>-FRBM Act -- responsibility on both Centre, State to adhere to fiscal deficit norms</p> <p><u>Conclusion:</u></p> <p>-Overstated fiscal prudence of states -Centre too prudent not profligate</p>	<p><u>Achievements under FRBM</u></p> <p>-States:</p> <ul style="list-style-type: none"> • Most states achieved, maintained the target fiscal deficit level (3% of GDP); • eliminated revenue deficit soon after introduction of their resp FRL Fiscal Responsibility Legislation • Avg debt-to-GDP ratio fell by 10% <p>-Centre:</p> <ul style="list-style-type: none"> • Fluctuating trend in fiscal deficit • Unable to manage elimination of revenue deficit • Allegations of fiscal profligacy by Centre <p><u>Factors for good performance by States</u></p> <p>-FRBM -Acceleration of GDP growth -Increased transfers from centre -Decline in interest payments -Increased central CSS expenditure</p> <p><u>Factors for bad performance at Centre</u></p> <p>-Increased transfers to the States -2008 GFC -Increased central CSS expenditure -Double shocks of Demonetisation, GST</p>			
4. Do you agree that fiscal slippage in the recent past is structural in nature? Also suggest roadmap for fiscal consolidation in the next few years. (20,2018)	<p><u>Intro:</u></p> <p>-Fiscal slippage - when govt exceeds its fiscal deficit target -India - target set at 3% under FRBM;</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Status of fiscal slippage</u></p> <p>-Achieved fiscal deficit target of 3% in 2008; increased to 6% after GFC -Govt revised target -Use of ()_emergency clause</p> <p><u>Structural reasons</u></p> <p>-2008 GFC -2016-17 - Demonetisation, GST -2020- -- COVID-19</p> <p><u>Other reasons</u></p> <p><u>Road map</u></p> <p>-Work on stabilisation of GST - to strengthen revenue side -Huge burden of subsidies must be rationalised -Rationalise schemes to reduce overlaps, improve expenditure efficiency -Consider taxing agri income of large farmers -Growth -- potential to reduce fiscal deficit; can consider disinvestment to invest in infra & spur growth</p> <p><u>Way forward</u></p> <p>-Establishment of independent Fiscal Council -Transition to cyclically adjusted fiscal deficit fw (to implement counter-cyclical policy) -Range/ band target instead of point target under FRBM</p> <ul style="list-style-type: none"> • Ideally, FRBM should not prescribe specific numbers, but require the govt to annually present explicit analysis of crowding out implications + govt debt-to-GDP implications of proposed fiscal deficit trajectory over next 5 yrs 			
5. Examine the process of introducing and passing GST Bill in parliament. How it helps in Fiscal consolidation in the country? (15,2016)	<p><u>Intro:</u></p> <p>-The 122nd Amendment Bill was introduced in the parliament which went on to become the 101st CAA (2016)</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Procedure:</u> same as in case of a Constitutional Amendment Bill</p> <p>-Introduced in Lok Sabha (Dec 2014) [could've been introduced in either house] -Went through 3 readings and passed in Lok Sabha (May 2015) -Transmitted to Rajya Sabha, where it was referred to a select committee -Passed by Rajya Sabha w/ amendments -Amended bill passed by Lok Sabha (Aug 2016) -Ratified by the President (Sep 2016)</p> <p><u>Fiscal consolidation</u></p> <p>-(Defn, basic components)</p> <p><u>Role of GST in Fiscal consolidation</u></p> <p>-Expansion of tax base</p> <ul style="list-style-type: none"> • No. Of taxpayers increased from 1.08 crore to 1.23 crore b/w 2017-20 <p>-Decreased cost of collection -> increase in net tax revenue</p>			

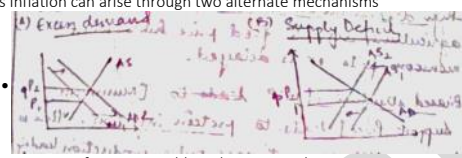
<p>6. Distinguish between fiscal federalism and political federalism. How has fiscal federalism been evolving in relation to special category States in particular and other States in general? (20,2012)</p>	<p><u>Intro:</u> - —</p> <p><u>Conclusion:</u> - —</p>			
Taxation				
<p>1. Explain GST. Analyse how it is going to impact Indian business. (15,2017)</p>	<p><u>Intro:</u> - The 101st CAA introduced the GST with following salient features</p> <p><u>Conclusion:</u> - —</p>	<p><u>Salient features:</u></p> <ul style="list-style-type: none"> - Unifies all indirect levies into 3 -> CGST, SGST, IGST - Destination based taxation; prev origin based taxation - Imported goods treated as inter-state supplies, subject to IGST and customs duties - Multiple rate slabs - Easier administration due to simplicity, transparency - GST Council w/ representatives from both Centres, states promotes federalism <p><u>Impact on Indian Businesses:</u> (break down sector wise)</p> <ul style="list-style-type: none"> - General: - Agro-businesses: - Manufacturing: - Services: - Transport: - Hotel & tourism: - Construction: - .. - Simpler tax regime w/ fewer exceptions eases compliance burden - Improved EoDB - Reduction in multiplicity of taxes - Simplified and automated procedures for registration, returns & refunds -- saves human resource for other productive activities - Elimination of double taxation in certain sectors has decreased average tax burden on supply of goods and services - Efficient neutralisation of taxes for exports -> improved competitiveness in int'l market - Boosted manufacturing sector through rationalisation of tax rates <p>Challenges:</p> <ul style="list-style-type: none"> - Higher tax rates to compensate revenue under older regime of multiple taxation - Difficulty in cross-utilisation of input tax credit of SGST, CGST - Levy of additional cess (GST Cess) 		
<p>2. How is GST different from VAT? What is the grand bargain suggested by the Thirteenth Finance Commission for implementation of GST? (20,2012)</p>	<p><u>Intro:</u> - —</p> <p><u>Conclusion:</u> - —</p>			
<p>3. What are the broad features of the proposed GST Model? (10,2015)</p>	<p><u>Intro:</u> - —</p> <p><u>Conclusion:</u> - —</p>	<p>GST will have two components: one levied by the Centre (Central GST), and the other levied by the States (State GST). For inter state goods transport there is Integrated GST (IGST). It will be collected by center and assigned to respected state. The Central GST and the State GST would be applicable to all transactions of goods and services except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. The administration of the Central GST would be with the Centre and for State GST with the States. The taxpayer would need to submit periodical returns to both the Central GST authority and to the concerned State GST authorities. GST will be charged on value addition. Thus there will be separate state input credit and center input credit.</p>		
<p>4. What are the major objectives of the Direct Taxes Code Bill, 2010? Will it be effective in generating enhanced tax revenues? (25,2013)</p>	<p><u>Intro:</u> - —</p> <p><u>Conclusion:</u> - —</p>			
Governance, Corruption				
<p>1. What is 'Crony Capitalism'? Is it true that almost all developing countries are facing the threat of 'Crony Capitalism' in their development efforts? (20,2016)</p>	<p><u>Intro:</u> - Crony capitalism - focuses on nexus b/w politicians and businesspersons - Economic scenario wherein the success of businesses is dependent on your relationships w/ politicians and other people in power - Crony capitalism is an economic system in which businesses thrive not as a result of risk, but rather as a return on money amassed through a nexus between a business class and the political class. It creates oligarchies and slows down growth.</p> <p><u>Conclusion:</u> - —</p>	<p><u>Consequences</u></p> <ul style="list-style-type: none"> - Concentration of wealth -> high levels of corruption -> economic inequality - Slows down economic growth -- eliminates competition in the markets -> virtual monopoly of the powerful - Socialist critique: in a capitalist economy, money is power & holds supreme -> those w/ economic clout can buy influence w/ the political class - Capitalist critique: perceives crony capitalism to be an outcome of excessive govt regulation <ul style="list-style-type: none"> • If free mkt forces allowed to operate -> cronyism would NOT occur - Impetus from License Raj in India - Public Sector controlled large share of resources; no independent boards - Recent invalidation of mining contracts by SC: Auction system replace system of allocations - PPP -- production sharing model <p>According to Raghuram Rajan one of the greatest dangers to the growth of developing countries is the <u>middle income trap</u>, where</p>		<p>Gunnar Myrdal in Asian Drama calls India a 'soft state' -- lack of political will to enact stringent laws + lack of bureaucratic will/ state capacity to implement existing laws</p>

		<p><u>crony capitalism</u> creates <u>oligarchies</u> that slow down growth.</p> <p><u>Developing countries</u> are characterized by <u>poor market mechanism</u>. There is imperfect mechanism. It is <u>exploited by few</u> individuals. At the same time <u>political volatility</u> is also problem. Rich and the influential are alleged to have received land, natural resources and spectrum in return for payoffs to venal politicians.</p> <p>IT can be seen that almost developing countries are facing this problem. Not even developing countries but <u>developed countries</u> also have problem of crony capitalism. <u>Election</u> has become large exercise and requires <u>huge funding</u>. Thus <u>quid pro quo</u> automatically enters into system.</p>			
2. How could e-governance tackle the issues of corruption and inefficiency in the govt sector to lead to higher growth rate in the economy? Discuss. (15,2014)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - E-governance - use of IT in governance processes at various levels -- G2G, G2B, G2C, <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<ul style="list-style-type: none"> - Present challenges - Red-tape & corruption hampering India's growth rate <ul style="list-style-type: none"> • E-gov: single window clearance, form simplification and field reduction, online application & tracking, - Assessments <ul style="list-style-type: none"> • Faceless -- reduce contact b/w officials & tax payers - Simpler process of tax filing -- reduces compliance cost - MyGov -- link b/w Govt & Citizens towards meeting goal of good governance <ul style="list-style-type: none"> • Encourages citizens, people abroad to participate in various activities • Increase in accountability and decrease in corruption w/ higher popular participation 			
3. 'Elitist bias' and 'Crony Capitalism' have eclipsed the issues of efficiency and distributive justice in India. Elaborate. (20,2014)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 				
4. What is 'Crony Capitalism'? How it compromises economic and social justice issues? Explain. (10,2013)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 				
5. In the context of the IT revolution, Digital India programme is a significant instrument of administrative reforms. Do you agree? (20,2015)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<p>Digital India is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. It can be significant instrument of administrative reforms.</p> <p>The red tapism and corruption are hampering India's growth rate. E governance can improve this. Single window system, form simplification and field reduction, online applications and tracking, etc can significantly reduce red tapism and corruption.</p> <p>Tax system of India is reformed through faceless assessment. It reduces contact between officials and tax payers. Thus it reduces cases of corruption. Similarly now tax filing can be done online thus has become very simple process.</p> <p>MyGov aims to establish a link between Government and Citizens towards meeting the goal of good governance. It encourages citizens as well as people abroad to participate in various activities i.e. 'Do', 'Discuss', 'Poll', 'Talk', 'Blog', etc.</p> <p>Digital India programme increases transparency and accountability of the system. Online process fastens the file movement. Thus it can be said that Digital India Programme, is a significant instrument of administrative reforms.</p>			

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New Economic Policy and Monetary System

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc
Role of RBI Under the New Regime.					
1. Critically examine the role of RBI in maintaining financial stability under the new regime of monetary system. (20,2020)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - 2016 amendment to RBI Act -> primary objective: price stability <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<ul style="list-style-type: none"> - Break down elements of financial stability - Examine role of RBI for each element - Publication of FSR twice a year -- includes assessment of global & domestic outlooks - Regulation & supervision of banking sector, including NBFCs and cooperatives, ensure compliance w/ int'l best practices eg BASEL norms - Evaluation & mitigation of systemic risks, to avoid contagion, especially b/w real & financial sectors - Coordination w/ SEBI to regulate debt & equity markets 			
2. Why is monetary transmission not effective in India? In the context of the recent announcement by the RBI, compare the efficacy of external benchmarks in bank loans with internal benchmarks for improving monetary transmissions through the banking channel. (20,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Monetary Transmission = impact of change in instruments of monetary policy on economic activity & inflation - Functions through 4 major channels in India -- interest rate, exchange rate, credit flow, asset prices and expectations <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - New system expected to improve both speed, 	<p>AK Mitra (2021):</p> <ul style="list-style-type: none"> - full & reasonably swift transmission across money market segment - Partial, delayed transmission to bank deposits, lending rates <p>Reasons for ineffectiveness</p> <ul style="list-style-type: none"> - Myrdal's structural issues <ul style="list-style-type: none"> • Supply side constraints • Fiscal dominance due to dominance of PSBs • Rigidity in factor markets - Long maturity profile of deposits at fixed interest rates - Rigidity in saving deposit rates - Poor asset quality of banks - Periodicity of interest rate reset under MCLR system - Competitive pressures from other instruments -- mutual funds, small savings schemes 			

	<p>extent of MPT -Crucial for effective functioning of CB</p>	<p>- Large portion of economy outside formal financial net</p> <p>From internal benchmarking using MCLR to external benchmarking</p> <p>-Mandated for</p> <ul style="list-style-type: none"> • All SCBs • All floating interest new loans at retail level • " " " to MSEs • Use external benchmarks -- repo, 91-day T-bill, 180-day T-bill, FIBIL benchmarks <p>Expected advantages of external benchmarking</p> <p>- Changes in benchmark would be transmitted immediately to new borrowers</p> <p>- Mandatory reset of rates for outstanding loans every 3 months</p> <ul style="list-style-type: none"> • v/s 1 year reset period under MCLR <p>- Fixed spreads over benchmarks -> banks would be unable to gain unjustified margins</p> <ul style="list-style-type: none"> • Adjustment would have to occur in both directions <p>- Transmission to lending rates no longer contingent on changes in deposit rate</p>			
<p>3. Inflation is not a purely monetary phenomenon in India and hence the scope of monetary policy of the RBI to contain it is limited. Discuss. (25,2013)</p>	<p><u>Intro:</u> -Friedman false in India -- inflation is always and everywhere a purely monetary phenomenon.</p> <p><u>Conclusion:</u> - _</p>	<p>- In a market economy, price is determined through interactions b/w demand & supply</p> <p>- Thus inflation can arise through two alternate mechanisms</p>  <p>• Inflation arising from excess dd can be corrected using MP, as money mkt plays role in determination of the AD</p> <p>• Inflation purely monetary phenomenon in case of full employment only??</p> <p><u>RBI's MP is effective under following scenarios</u></p> <p>- Inflation due to excess spending by govt which increases Ms in economy w/o a commensurate expansion in real economy, causes inflationary pressures</p> <ul style="list-style-type: none"> • Eg PM KISAN to bolster rural dd <p>- During economic slowdowns, rise in prices of gold as a safe asset</p> <ul style="list-style-type: none"> • Eg during COVID pandemic - substantial rise in gold prices during COVID lockdown due to economic slowdown <p>- During episodes of demand driven inflation, RBI acts by tightening money supply</p> <ul style="list-style-type: none"> • -> causes contraction in dd & inflation eases <p><u>Inflation also occurs due to structural issues on ss side:</u></p> <p>- High dependence on monsoon -> food price hikes on monsoon failure/delay</p> <p>- Biased structure of MSP -> protein inflation</p> <ul style="list-style-type: none"> • MSP disincentivises pulse production -> shortages <p>- Ashok Gulati - increase in MGNREGA wages -> inflation due to rise in cost of production in agri -> spill over of effects to other sectors</p> <p>- Inflation driven by fuel prices -> externally determined through OPEC+</p> <p><u>Increasing MP effectiveness in India</u></p> <p>- Requires structural reforms on ss side</p> <ul style="list-style-type: none"> • Rationalisation of MSP and broad based procurement • Investment in agri infra -- small scale irrigation, micro-irrigation to reduce monsoon dependence <p>- Demand side</p> <ul style="list-style-type: none"> • Focus more on capacity building rather than short term transfer payments • Improve savings-investment ratio • Mobilisation of savings in productive assets • Mechanisms to ensure robustness of wide variety of financial assets <p>- Switch to renewable energy -- indigenous production/ cooperation w/ S Asia under SAGE -- reduced dependence on OPEC +</p>			
<p>4. <input type="checkbox"/> Characterise the inflationary process in the last three years. What steps were taken by the RBI and the Government to control it? (12,2012)</p>	<p><u>Intro:</u> - _</p> <p><u>Conclusion:</u> - _</p>				
<p>5. <input type="checkbox"/> Critically examine the point of view that RBI's recent measures at containing inflation have compromised growth. (30,2011)</p>	<p><u>Intro:</u> - _</p> <p><u>Conclusion:</u> - _</p>				
<p>6. Monetary Policy in India is often criticised as ineffective because large part of the country is not yet monetised. Do you agree with the view? Give reasons. (20,2016)</p>	<p><u>Intro:</u> - MP is guided by RBI Act - primary obj: price stability; w/ growth objective</p> <p><u>Conclusion:</u> - _</p>	<p><u>Ineffectiveness of MP in India</u></p> <p>- ES 2021 -- weak transmission on qty of credit</p> <p>- RBI Bulletin -- points to delayed & partial transmission to bank deposit & lending rates</p> <p>- Food & Fuel form major components of CPI -> volatility in inflation, irresp of RBI's policy stance</p> <p><u>Evidence for lack of monetisation</u></p> <p>- RBI: 93% MSMEs are self financed</p> <p>- 60% SMFs depend on local money lenders</p> <p>- Huge dependence on MFIs, doesn't adjust acc to RBI policy rates</p> <p>- Lack of developed bond markets -- ensures most public savings are in bank deposits, reducing bank's dependence on repo rate</p> <p><u>Lack of monetisation as the reason for ineffectiveness</u></p> <p>- Informal sector does NOT form part of signals used by CB while</p>			

		<p>formulating MP</p> <ul style="list-style-type: none"> - Access through informal channels leads to unstable and unpredictable money dd - RBI's operational target is WALR -- which by definition excludes informal sector <p><u>Other factors</u></p> <ul style="list-style-type: none"> - Structural issues (Myrdal) <ul style="list-style-type: none"> • Supply side constraints • Fiscal dominance due to PSBs • Rigid factor markets - Constricted monetary policy channels <ul style="list-style-type: none"> • Savings in the form of unproductive assets • Underdeveloped capital markets - Stickiness of deposit & lending rates hitherto, due to internal benchmarking - Fiscal policy impedes monetary policy <ul style="list-style-type: none"> • Stimulation of demand by excess fiscal spending - External factors affect inflation through oil prices <p><u>Some successes of MPT</u></p> <ul style="list-style-type: none"> - ES 2021 - WALR responded w/ 94 bps cut in response to 115 bps cut in policy rate - Improved transmission to deposit & lending rates of SCBs due to introduction of external benchmarking - RBI Bulletin <ul style="list-style-type: none"> • Full & reasonably swift transmission across various money mkt segments & corporate debt market - Inflation target has been achieved in most quarters <p><u>Steps to improve monetisation/ formalisation of economy</u></p> <ul style="list-style-type: none"> - GST - Formalisation of employment - Growth of MSMEs - Effective monitoring and regulation mechanism - Reduce red tape - Improve EoDB -- labour laws 			
7. <input type="checkbox"/> "An underdeveloped money and capital market has been a major cause of slow economic growth in India." In the light of this statement, give relative importance of financial sector vis-à-vis real sector in Indian economy. (25,2013)	<p><u>Intro:</u></p> <p>- ___</p> <p><u>Conclusion:</u></p> <p>- ___</p>				
NBFCs, Demonetisation, Banking					
1. <input type="checkbox"/> Trace the development of NBFCs in India since the liberalisation era and comment on their impact on the effectiveness of the interest rate policies of the RBI. (15,2016)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Non banking finance companies are companies registered under companies act 2013 which are engaged in business of loans and advances, insurance acquisition of shares/stocks/bonds etc. <p><u>Conclusion:</u></p> <p>- ___</p>	<p>In 1995-96 there was significant reduction in NBFC registration. It is due to new rule introduces which put restriction on NBFC to register and reporting NBFCs to RBI. Later on, in 1997, due to the directions of Ordinance Act 1997 and the new Regulatory framework 1998, RBI received large number of applications. Since 2013 NBFC are showing steady credit growth.</p> <p>NBFC impact on effectiveness of interest rate policy of RBI</p> <p>RBI changes repo rate to change money supply in the economy. Change in repo rate is passed to economy through monetary mechanism and open market operations. NBFC have limited role to play in open market operations.</p> <p>NBFC caters niche population. Thus it might not change its lending rate much by changes in monetary policy. Thus NBFC can reduce the effectiveness of interest rate policy of RBI</p>			
2. <input type="checkbox"/> NBFCs need to be effectively regulated and monitored in India. Can you suggest some measures in this direction? (15,2015)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - NBFCs are companies registered under Companies Act, 2013 which are engaged in business of loans and advances, insurance acquisition of shares/ stocks/ bonds etc - Less regulation than the commercial banks - Need to effectively regulate them <p><u>Conclusion:</u></p> <p>- ___</p>	<p><u>Measures</u></p> <ul style="list-style-type: none"> - Rather than having multiple authorities, RBI should have power over NBFC - RBI should be granted greater powers to regulate NBFCs - RBI should have power to remove one director or supersede the entire board of directors, if RBI believes this is in public interest - RBI should have power to remove or debar the auditors for max period of 3 yrs, if they failed to exercise their role properly - RBI - should have power take actions for resolution of NBFCs so that financial stability is not affected - RBI should have power to ask the NBFC to furnish financial and related info about the group companies - There should be increase in the scale of penalties if the regulations are not followed - NBFCs which raise debt from public should maintain a DRR Debenture Redemption Reserve out of its profits - Regulation of HFCs should be shifted from NHB to RBI 			
3. <input checked="" type="checkbox"/> Demonetisation has been a radical and unprecedented step with short-run costs and long-term benefits. Give reasons in support of this statement. (15,2018)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Demonetisation = stripping a currency unit of its status as legal tender - Statutory backing in RBI Act, Sec 26 -- by Central Govt in consultation w/ RBI Central Board <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - This borne dividends during COVID pandemic as digital payments kept significant part of 	<p>- 2016 - demonetised ₹500, ₹1000 currency notes</p> <p><u>4-fold objectives:</u></p> <ul style="list-style-type: none"> - Curb corruption - Curb counterfeiting - Curb terrorist financing using high denomination notes - Arrest accumulation of black money <p><u>Short term costs</u></p> <ul style="list-style-type: none"> - Induced cash crunch in an economy dependent on cash for ~70% txns - Demand destruction for food prices, in both rural & urban areas - Supply disruptions -- money crucial input for production (eg daily wage labourers) - High txn costs imposed on residents - Loss of livelihoods as people queued up to exchange their currency 			
a. <input type="checkbox"/> What is your assessment of the principal impact of the recent demonetisation in India in the immediate and middle terms? (15,2017)					

economy on its feet despite lockdown & social distancing (impediments to cash based txns)

notes

Long term benefits

- Push towards a cashless and more digitalised economy
 - RBI's Digital Payments Index - 118% rise b/w 2018 & 2020
- Increase in financial sector savings
 - RBI: Household savings jumped from 7% in Jun '17 to ~9% in Feb '20
 - Peak of 13% around Feb '19
- Formalisation of economy, w/ greater adoption of digital payment & settlement systems
- Control on fast pace increase in real estate prices
 - RERA + demonetisation -> difficult to route undeclared wealth into real estate investment
- Formalisation of shadow economy -> improved quality of GDP metrics
- Increase in tax compliance and collection due to expansion of tax base

Complementary measures to improve effectiveness of Demonetisation

- GST
- RERA
- Incentivising MSME expansion
- Push towards digitalisation

4. The state-controlled section of India's banking sector continues to be a major problem for policy makers. Do you agree? Give reasons in support of your answer. (15,2018)

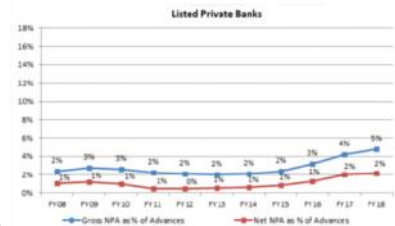
Intro:

-

Conclusion:

-

- Why PSBs have larger share of NPAs?
- Till 2012, both had comparable proportion of GNPA in their assets
- Progressive increase in share of NPAs in PSB assets; subdued increase in PVB NPAs



Special reasons for PSB NPAs

- Obligation to fulfil social responsibilities -- as part of Govt agenda, have to lend to high risk/ long gestation sectors -- eg infra, iron & steel
- Procedural inefficiencies vis-a-vis private sector
- Political interference in decision making -- leading to inefficient lending practices, interference in financial decisions (opening, closing, location of new branches)
- Moral hazard -- 'bailing out', restructuring schemes
- RBI -- regulates both governance, prudential norms in case of private banks; only prudential regulation in PSBs; govt regulates governance

Way forward

- Banks Board Bureau -- more transparency in appointments

5. What caused the problem of non-performing assets of Indian commercial banks and what cures are being suggested to solve the problem? (10,2017)
a. What are the major factors behind accumulation of NPA in the Indian banking sector in recent years? Discuss. (10,2015)

Intro:

- FSR by RBI - NPAs expected to rise to 13.5% (14.8% in worst case scenario) by Sep 2021 in the backdrop of COVID-19 induced economic slowdown, after a sustained decline to 8.5% until March 2020

Conclusion:

-

Causes for rising NPAs in India

- Structural/ systemic
 - **Nayak Committee** - inefficiency in public sector banks, poor incentives & mgmt issues
 - Principal-Agent problem in Credit Rating Agencies -> poor quality of ratings
 - Absence of swift NPA identification mechanism
 - **'Zombie projects'** -- loss of promoter & banker interest due to delay in projects
 - Govt permissions and foot-dragging
 - Slow decision making due to fear of investigation eg in suspect allocation of coal mines
 - Stalled projects -> cost overruns -> unable to service debt
- COVID-19
 - Economic slowdown
 - Loan moratorium, one-time loan restructuring schemes -> deferred recognition of stressed assets
 - Prolonging of NPA crisis due to deferment of recognition
 - Disproportionate impact on certain sectors -- eg construction due to labour avblty
- Dynamic economy
 - AQR Asset Quality Review exposed cases of window-dressing, evergreening done by banks
 - Regulatory forbearance measures
 - Moratorium
 - Loan restructuring
 - Temporary stay on asset reclassification
 - Asset-liability mismatch
 - Lack of contingency planning on the part of Indian banks
 - Optimism regarding eco gr -- large no of bad loans originated in 2006-09 period -- riskier credit
 - GFC 2008 --> strong dd projections based on previous years became unrealistic
- Political

		<ul style="list-style-type: none"> • Political support for wilful defaulters <p>- Poor corporate governance in banks</p> <ul style="list-style-type: none"> • Corruption in bank mgmt (ICICI Ms Kochhar, PNB) • Fraud by promoters • Manipulation of restructuring process by promoters • Malfeasance by bankers -- lack of due diligence <p><u>Measures to deal with NPA crisis</u></p> <p>- ES 2015-16 -- 4Rs</p> <ul style="list-style-type: none"> • Recognition • Recapitalisation • Rehabilitation • Reform <p>- Recognition & prevention --</p> <ul style="list-style-type: none"> • AQR 2015 + SMA categorisation • Creation of large credit database - eg CRILC -- to id early signs of distress + habitual defaulters <p>- Recapitalisation</p> <ul style="list-style-type: none"> • Budgetary allocations - ₹90,000 (2017-18), ₹20,000 (2020-21) • Mission Indradhanush to revamp PSBs through 7 fold reforms; included recapitalisation of 23 PSBs <p>- Resolution</p> <ul style="list-style-type: none"> • Debt Recovery Tribunals DRTs, SARFAESI, ARCs, SDR Strategic Debt Restructuring Scheme, JLF Joint Lenders Forum • IBC to tackle Chakravayuha problem in financial sector -- time-bound 180 day recovery process <ul style="list-style-type: none"> ◦ SCBs recovered 45.5% thru IBC (2019-20); highest among all modes of recovery • Project Sashakt -- high priority resolution of assets with larger value • RBI's fw for COVID-19 related stress - • Sector specific schemes -- MSME Samadhan <p>- Reform</p> <ul style="list-style-type: none"> • Robust credit risk mgmt - higher provisioning for stressed assets, detailed sector + individual analysis of profit-loss statements • Widening powers of RBI • Reforms for PSBs <ul style="list-style-type: none"> ◦ Usage of 3rd party data sources for due diligence ◦ Online end-to-end OTS One Time Settlement Platforms ◦ Strict segregation of monitoring & sanctioning of high-value loans <p>- PCA fw for continuous monitoring & course correction</p> <p>- Consolidation through mergers</p>			
Bad Banks	<p>- PARA - Public Sector Asset Rehabilitation Strategy -- announced in Budget 2021</p>	<p>- ARC</p> <p>- Specialised financial insti -- buys stressed assets from banks & FIs</p> <p>Bad Bank different from existing ARC</p> <ul style="list-style-type: none"> - Well capitalised - Higher trust element <p>Benefits of a bad bank</p> <ul style="list-style-type: none"> - May also shape the operations of existing ARCs - Ability to buy out the 'big' accounts and free up the banks - Govt initiative -> RBI may extend certain rule relaxations to Bad Bank -- likely to provide a push to NPA resolution <p><u>Challenges</u></p> <ul style="list-style-type: none"> - Limited participation of Banks as banks have to sell their assets to ARCs at devalued price to account for status of NPAs - Primarily caters to Wilful Defaulters -- encourages defaults; doesn't penalise fraudulent practices 			
NPA resolution as catalyst for Banking sector Reform		<ul style="list-style-type: none"> - Strengthen in core banking function -- credit monitoring, efficient lending practices - Enhancing level of governance -- transparency in system, clear communication channels - Attitudinal change among all stakeholders -- regulatory forbearance should be used as exception, not staple diet - Accelerating use of technology - Blockchain, AI, encryption - Driving integration within financial system - Developing linkages b/w industrial sector & financial sector -- participation from industrial partners as well as banks 			
6. 'Financial inclusion is one of the most essential components of inclusive growth.' Comment. (10,2015)	<p><u>Intro:</u></p> <p>- 'Economic Growth with Inclusion' -- main focus of 9th, 10th FYP</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Pillars of inclusive growth</u></p> <ul style="list-style-type: none"> - Skill development - Financial inclusion - Technological advancement - Rapid economic growth - Social development <p><u>Essentiality of Financial Inclusion</u></p> <ul style="list-style-type: none"> - Provide enabling infra for other goal of development <ul style="list-style-type: none"> • WB: calls financial inclusion as 'nerve centre' of an economy - Culture of saving -> virtuous cycle - Enhance self reliance among poor -> higher income, std of living - Mitigate inequality - Promote culture of innovation and entrepreneurship, even among low income strata <p><u>Recommendations by:</u></p> <ul style="list-style-type: none"> ◦ - Nachiket Mor Committee ◦ - Urjit Patel Committee ◦ - PJ Nayak Committee <p><u>Govt measures</u></p> <ul style="list-style-type: none"> - PM JDY - Robust bank branch expansion into unserved, underserved areas - PSL targets 			

		<ul style="list-style-type: none"> - Door step delivery through BCs - Promotion of MFIs <p>Recently online payment systems are gaining popularity. If a small shopkeeper or vendor does not adapt it then he may lose business. Thus financial inclusion is one of the most essential components of inclusive growth.</p>			
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Planning

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc
From Central Planning to Indicative Planning		<p>PC (now NITI) defines economic planning as the utilisation of a country's resources for developmental activities in accordance w/ national priorities. It is a consciously and judiciously carried out process for optimum utilisation of existing resources in order to fulfil some well defined objectives.</p>			
1. Mixed economy is an outcome of the compromise between laissez-faire capitalism and socialist state control of resource. Elaborate. Mention its salient features. (10,2013)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Origin of concept in mid 20th C - Integrate the merits of laissez faire capitalism and state controlled socialism, while avoiding evils of both <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Efficacy of this system has encouraged erstwhile capitalist economies like USA to adopt elements of welfare state + countries like China to adopt a form of market socialism 	<p><u>Synergy</u></p> <ul style="list-style-type: none"> - Coexistence of public and private sectors <p><u>Socialist features <=> limited but crucial state intervention</u></p> <ul style="list-style-type: none"> - Define broad parameters for social goals to be achieved - Guides & regulates market mechanism - Checks distortions in mkt determined decisions - Ensure basic infra & provisions to crowd in private sector - Counter negative externalities of mkt process - eg pollution, deprivation - Check on monopoly power - Economic planning provides direction to economy - Price regulation in public sector - Social welfare - Check on economic inequalities - Explicit provision to prevent concentration of wealth <p><u>Free but regulated private sector <=> Capitalist features</u></p> <ul style="list-style-type: none"> - Flexibility in decision making - Production & resource allocation aligned to changing needs of the economy - Prevents state from using excessive & price distorting controls - Bridges info asymmetry via price signalling - Brings in competitive elements, efficiency to avoid directly unproductive activities - Profit motive - Private property allowed - Price determination in private sector by dd & ss <p><u>Compromise</u></p> <ul style="list-style-type: none"> - Govt interference against the basic principle of laissez faire - Coexistence takes away effectiveness of planning by increasing uncontrolled behaviour <p><u>Salience</u></p> <ul style="list-style-type: none"> - State regulates smoother working conditions for private sector - Provides freedom of capitalism, mindful of overall public welfare - Prevent exploitation, promote social security for people by limiting both market & state 			
2. Differentiate between plan and non-plan expenditure as used in the govt budget. Is this distinction relevant for govt finances in India today? (10,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Govt has done away with the distinction in the Budget 2017-18 w/ discontinuation of FYPs & rechristening of PC into NITI Aayog. - Abolition recommended by 2nd ARC, Rangarajan Committee <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Note of caution: govt must ensure welfare headers like Scheduled Caste sub plan and tribal sub plans are not compromised under the new system 	<p><u>Plan expenditure:</u></p> <ul style="list-style-type: none"> - spending on schemes and programmes outlined in the FYPs - Major heads: <ul style="list-style-type: none"> • construction of infra -- roads, canals, bridges; • Irrigation & rural development • Electricity generation projects, urban utilities <p><u>Non-plan expenditure:</u></p> <ul style="list-style-type: none"> - spending on routine functioning & obligations of govt - Major heads: <ul style="list-style-type: none"> • salaries & pensions, interest payments, subsidies, maintenance of assets, defence, FC grants <p><u>Issues/ lost relevance of distinction</u></p> <ul style="list-style-type: none"> - Asymmetry of perception - plan expenditure perceived productive; non-plan expenditure considered unproductive - Created 'plan' bias - Fragmented & piece-meal allocation of resources - Led to cost cuts on nonplan expenditure <ul style="list-style-type: none"> • Poor maintenance of assets created under plan expenditure • Shortage of permanent staff -- promoted ad hoc staffing to cut non plan expenditure - Difficult to assess actual cost of providing a service - Little linkages of outlays w/ outcomes - Led to diversion of plan to non-plan expenditure 			

	<p>-Confusion in demarcation often led to neglect of essential services</p> <p><u>Benefits of removing distinction</u></p> <ul style="list-style-type: none"> -Help ascertain outlays -Link outlays to outcomes 			
<p>3. How the setting up of NITI Aayog has changed the planning perspective in India? Explain. (20,2018)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> -Paradigm shift -Estd in 2015 as policy 'think-tank' for the govt <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> -Way forward <ul style="list-style-type: none"> • Greater analytical rigour • Non-partisanship • More autonomy - Changing economic circumstances -> NITI Aayog has been welcomed as a key institution for planning goals & agendas - Main challenge in coming years: translating goals into achievements using the new tools & approaches <p><u>Objectives</u></p> <ul style="list-style-type: none"> - Strategic & technical advice on issues of state & national dypment - Monitor, evaluate implementation of public programmes; identify key gaps in them - Forum to strengthen partnerships b/w key stakeholders & institutions involved in policy making - Foster cooperative & competitive federalism - Organisation struct (diagram) <p><u>Difference in approaches = new perspectives in planning</u></p> <p>(A) comparison w/ PC</p> <ul style="list-style-type: none"> - Top down vs bottom up - Widening of erstwhile limited expertise - Encourages answerability of govt -- authority of grants to states etc lies w/ FM - More continuity, flexibility in planning process - Federalism: governing council comprises CMs & LGs - 2 bodies <ul style="list-style-type: none"> • Knowledge & Innovation Hub - acts as govt think tank • Team India Hub - cooperative & competitive federalism - NITI is ONLY an advisory body - Govt acts as enabler rather than player <ul style="list-style-type: none"> • Lays down goals & roles of institutions in 3 Year action plans • Doesn't micromanage using FYPs - Retains PC's role of evaluation & monitoring (DMEO - Dvpmnt Monitoring & Evaluation Office -- attached to NITI) <p>(B) <u>new tools & practices</u></p> <ul style="list-style-type: none"> - Shared national agenda - states' best friend at the centre - eg. Aspirational Districts Program - <u>Vision & scenario planning</u> <ul style="list-style-type: none"> • 15 yr vision document (2017-32) • 7 year strategy document (2017-24) • 3-yr action agenda (2017-20) - Resource centre providing frequent publications, reports -- augmenting knowledge gap - Important initiatives of NITI <ul style="list-style-type: none"> • Lectures, compendium of best practices in states • Outcome framework in collab w/ various ministries <p><u>Why NITI >> PC</u></p> <ul style="list-style-type: none"> - Overcomes concerns on lack of accountability, hijacking functions of constitutional bodies (FC), lack of specialisation, roadblock to federalism <p><u>Persisting concerns/ challenges</u></p> <ul style="list-style-type: none"> - 'toothless' w/o grant making power - Only acts through nudges -- SDG index, National MPI, etc -- no carrot or stick - Lacks statutory backing - Lack of academic objectivity -- instead of critical examination, has been found to whole heartedly support govt policies - Doesn't have any powers to influence policy making, ground level implementation - Ensuring cooperation w/ states - More clarity on role, mandate for 'think-tank' - Ensuring competence, quality of staff - Avoiding political intervention and ensuring autonomy wrt info dissemination 		<pre> graph TD Chairperson["Chairperson = PM"] Members1["Members"] Members2["Members"] CEO["CEO"] Chairperson --- Members1 Chairperson --- Members2 Chairperson --- CEO Members1 --- M1["Part-time full-time ex-officio"] Members2 --- M2["Governor, Chief Minister, PM + CMs of states, UTs + Union Ministers"] </pre>	
<p>4. Give a brief account of the evolution of the concept of economic planning in India after Independence. (15,2017)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Need felt at independence because of stagnant economy, decaying socio-economic conditions, stagnant per-capita income, overall imbalanced economy not - Basic underlying objectives -- growth, modernisation, self-reliance, equity - Several plans proposed <ul style="list-style-type: none"> • Bombay Plan (1946) • Gandhian Plan () • Sarvodaya Plan () - Formation of Planning Commission as an executive body in 1950 formalised process of planning <p><u>Conclusion:</u></p>	<p><u>HD strategy (1st FYP)</u></p> <ul style="list-style-type: none"> - Dual character of capital accumulation <ul style="list-style-type: none"> • Increasing national income • Increase production capacity - Used in 1st FYP - Emphasis on increasing level of savings - Gr rate = savings ratio/ ICOR - Main focus: agri, irrigation, power - Pros: <ul style="list-style-type: none"> • Achieved gr rate of 3.6% -- more than target - Cons: <ul style="list-style-type: none"> • HD strategy not found to be suitable for dyping economies <p><u>Nehru-Mahalanobis Strategy (2nd - 5th FYP)</u></p> <ul style="list-style-type: none"> - Uses Mahalanobis 4 sector model <ul style="list-style-type: none"> • Consumer goods sectors -- factory, consumer hh, service • Capital goods sector - Influenced by Soviet model of planning - Based on Lewis, Nurkse model - 1/3rd investment in capital goods - Emphasis on heavy industry for higher development - Objectives: self reliance, overcoming capital 		

	<p>- ___</p> <p><u>Pre independence</u></p> <p>- 1938 - National Planning Committee -- Nehru as head; informal</p> <p>- Bombay Plan - by industrialists; sought govt intervention for dypment</p> <p>- 1950 - Planning Commission -- some politicians + industrialists + retired civil servants</p>	<p>constraints, import substitution</p> <p>- Central role given to public sector</p> <p>- 4th FYP onwards -- more reliance on domestic savings than on foreign aid</p> <p>- Pros:</p> <ul style="list-style-type: none"> • Industrial o/p grew at 8-10% p.a.; food grains @ 3% p.a., per capita income @ 1.75% p.a. <p>- Cons:</p> <ul style="list-style-type: none"> • <p><u>5th-8th FYP</u></p> <p>- Integrated HD model w/ Leontief input/ output system</p> <p>- Started focusing on grass root issues like poverty alleviation</p> <p>- Gadgil-Mukherjee formula for plan assistance</p> <p>- Gradual deregulation of state controls</p> <p><u>Indicative Planning</u></p> <p>- NEP 1991 brought in LPG reforms</p> <p>- Focus shifted from imperative to indicative planning</p> <p>- Use of inducements</p> <p>- Role of private sector encouraged</p> <p>- Decentralised approach -- 73rd, 74th CAA</p> <p>- Liberalisation of FDI</p> <p>- Export promotion strategy</p> <p>- Pros:</p> <ul style="list-style-type: none"> • ___ <p>- Cons:</p> <ul style="list-style-type: none"> • ___ <p><u>Enabler rather than player</u></p> <p>- Paradigm shift w/ <u>end</u> of centralised planning</p> <p>- Fillip to participative, cooperative, competitive federalism</p> <p>- Pros:</p> <ul style="list-style-type: none"> • ___ <p>- Cons:</p> <ul style="list-style-type: none"> • ___ 		
<p>5. During post-independence era, India assigned the role of 'Commanding Heights' to the public undertakings. Should this policy be continued? Give reasons for your answer. (20,2016)</p>	<p><u>Intro:</u></p> <p>- Concept origin in Soviet Russia</p> <p>- IPR 1956 - PSUs endowed w/ large responsibilities & areas of operation</p> <p>- State has control over key sectors that dominate economic activity - power generation, heavy mfg, mining, transportation</p> <p>- Limited responsibilities of pvt sector</p> <p><u>Conclusion:</u></p> <p>- 21st C liberalisation, globalisation require privatisation</p> <p>- Govt must vacate the commanding heights</p> <p>- Developing economy: govt still needs to stay involved in welfare sectors</p> <p>- Public sector now commands the key strategic areas - railways, defence, atomic energy while allowing private sector to foster in several areas of operations</p>	<p>- India's commanding heights</p> <p>- Post-independence, public monopoly established in infra, iron & steel, power generation, railways</p> <p><u>Arguments/ backdrop for commanding heights</u></p> <p>- High investment, long gestation projects</p> <p>- Private sector unable or unwilling to participate</p> <p>- Need for basic amenities for creation of market</p> <p><u>Benefits of commanding height approach</u></p> <p>- Emerged as drivers of employment, production and consumption -> consonance w/ welfare objectives</p> <p>- Public sector in basic & heavy industries could yield large surplus needed for investment & boost eco gr</p> <p>- Prevent monopolistic tendencies, concentration of profits</p> <p><u>Substantial costs due to dominance of public sector</u></p> <p>- Curbs on private sector -> gr rate <4% during 1960s, 70s</p> <p>- Private sector had consistently larger share in investment than public sector, except 2nd (1956-61) & 7th (1985-90) FYPs</p> <p>- Excessive control over capital accumulation disincentivised private sector to raise investments</p> <p>- Inefficiencies in PSUs led to conc of profits as well as loss</p> <p>- Limited growth in industry, mfg sector</p> <p>- ES 2020 - liberalised sectors are more productive than sectors reserved for PSUs</p> <p>- Bimal Jalan Committee - political interference unavoidable in PSUs</p> <p>Post-liberalisation, share of public sector in investment has declined to less than 25% => private sector has always commanded the growth in investments</p> <p>In later years, trend towards decline in role of public sector. Recent moves towards disinvestment, privatisation etc</p> <p><u>Suitability of moving away from 'commanding heights' in present times:</u></p> <p>- Shrinking role of public sector in employment generation</p> <p>- Inefficiencies & bureaucratic red tape</p> <p>- Emergence of new sectors playing critical role in the economy - services, education, healthcare</p> <p>- Expansion into newer sectors creates huge fiscal burden for the govt</p> <p>- Newer sources of credit supply have aided growth of private sector</p> <p>- Limited state capacity => minimise cost of running the govt while maximising governance</p> <p>- 'Law of unintended consequences' (by Dreze)</p> <p>operational in planned economy -- planning can NOT</p>		

		<p>account for all domino effects in every sector</p> <ul style="list-style-type: none"> - Competition fosters innovation and inefficiency, ensures survival of the fittest parts of economy - Privatisation solves the principal-agent problem inherent in the public sector 									
6. Discuss the basic features of 2nd FYP in India. (10,2016)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Based on NMP - Lewis & Nurkse Growth models <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Laid down a framework for growth in a low income capital-scarce economy 	<ul style="list-style-type: none"> - Aim <ul style="list-style-type: none"> • Gain self sufficiency • Overcome capital constraints Consequently, emphasised rapid industrial growth - Objectives <ul style="list-style-type: none"> • Growth - target rate at 4.5% to raise std of living • Industrialisation - dvpment of basic & heavy industries, dominated by public sector • Equity - avoid conc of wealth, reduce income ineq <p><u>Plan outlay</u></p> <ul style="list-style-type: none"> - ₹4800 crore public investment <table border="1"> <tr> <td>Agri & irrigation</td> <td>30%</td> </tr> <tr> <td>Industry, transport</td> <td>50%</td> </tr> <tr> <td>Social sectors, etc</td> <td>20%</td> </tr> </table> <p><u>Based on 6 pillars</u></p> <ul style="list-style-type: none"> - High savings rate to act as investible surplus -- HD model - Heavy industry bias -- mfg believed to lead to highest growth rate in medium, long run - Protectionist policy -- infant industry argument - Import substitution <ul style="list-style-type: none"> • Save forex • Aid self sufficiency in critical inputs - Role of public sector -- private sector lacked ability/ willingness to invest in heavy industry, esp because of long gestation period - Socialist pattern of society <p><u>Evaluation</u></p> <ul style="list-style-type: none"> - Creation of strong infra base - Development of public sector - Higher savings rate <ul style="list-style-type: none"> • 1950: 5% • 1977: 23% - Target growth rate - 4.5% - Achieved growth rate - 4.27% (slight shortfall) 	Agri & irrigation	30%	Industry, transport	50%	Social sectors, etc	20%			
Agri & irrigation	30%										
Industry, transport	50%										
Social sectors, etc	20%										
Relation b/w Planning & Markets for Growth											
1. Do you think that planning has a role in the context of market-based development of India? Answer with arguments. (15,2019)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Amartya Sen & Jean Dreze have discredited the idea of conflict b/w markets and planning, emphasised instead on coordination b/w the two - Post-indep India <ul style="list-style-type: none"> • Decaying socio-economic conditions, stagnant per capita income ➤ Planning key instrument to achieve social objectives <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - State needs to play role of a facilitator even in a market based economy to create enabling environment - In the course of India's tryst with market-based development, planning will pay key role to frame & execute suitable measures 	<p><u>Basis for conflict</u></p> <ul style="list-style-type: none"> - Different objectives - profit motive vs social welfare - Classical prescription of Laissez Faire - New Classical Policy Ineffectiveness Proposition <p><u>Arguments in favour of coordination</u></p> <ul style="list-style-type: none"> - Keynesian, New Keynesian, Monetarist policy prescriptions - Even out business cycles through countercyclical policies <p><u>Complement, improve market-oriented development</u></p> <ul style="list-style-type: none"> - Long term objective setting <ul style="list-style-type: none"> • Limited resources -> clear priorities aid achievement of goals - Coordination at multiple levels <ul style="list-style-type: none"> • Decentralised planning since 73rd, 74th CAA -> coordination at 3 levels of govt • Coordination among various ministries to achieve interlinked targets • Coordination b/w private & public sector priorities - Solution to market failures <ul style="list-style-type: none"> • Govt interference through taxation, subsidies internalises the externalities, aligns social & private costs & benefits, solves over/ under production - Prevent monopoly and concentration of wealth, thru competition Act -- fosters efficient functioning of market mechanism - Correction of long term structural issues <ul style="list-style-type: none"> • E&M integral to planning, helps anticipate issues arising from growth strategy, take preventive actions or follow suitable course correction - Patten of investment <ul style="list-style-type: none"> • Strike a balance among sectors • Special focus on regional development w/ balance • Eg MSME investment provision - Protect interests of small scale industries, encourage entry of new entrepreneurs - Realign priorities of public spending from infra to social sectors <p><u>Inclusive growth</u></p> <ul style="list-style-type: none"> - Sizeable portion of population afflicted w/ poverty & deprivation -- planning for income & emp generation 									

		<p>programmes</p> <ul style="list-style-type: none"> -Balance in regional growth, income equality -Creation of gainful employment to reap benefits of demographic dividend -Strategic interventions to ensure environmentally sustainable development 			
<p>2. Why did the socialist order <u>fail</u> and the country had to resort to the market economy system? Give reasons. (10,2015)</p> <p>a. Why socialist model of development could not bring about equitable distribution of income in India and the country remained on a slow growth trajectory of 3 – 3.5% for a long time? Discuss. (10,2014)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> -Initiation of socialist model in India w/ 2nd FYP -Continued till 1979 with adjustments and modifications -Made way for gradual opening up of economy in 1980s and liberalisation in 1991 NEP -Slow growth trajectory of 3-3.5% been called 'Hindu rate of growth' derisively <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> -Socialist model failed to expand the pie to have enough for redistribution -Also issues w/ implementation, quality of planning -Socialist policies limited to state control of production & weak distribution network with low growth -> further impacted growth in income 	<p><u>Nature of Policies</u></p> <ul style="list-style-type: none"> -Priority to <u>growth</u> over inequity <ul style="list-style-type: none"> • Based on WB stance till 1970s -- merely economic growth enough to reduce poverty as well -Emphasis on long gestation heavy industries, whose benefits failed to trickle down -Policy myopia <ul style="list-style-type: none"> • CN Vakil called it patchwork policymaking, using ad hoc measures instead of structural corrections -State controls over private sector -Absence of equitable regional distribution of funds w/in planning <ul style="list-style-type: none"> • Later corrected using Gadgil formula -Rapid industrialisation during 2nd FYP -> inflation, loss of forex -Nationalisation, strict regulatory controls during 4th FYP -Regulatory capture -> disincentivised efficiency gains by private sector <ul style="list-style-type: none"> • MRTP act, Anti-trust laws -Neglect of agriculture -Lack of real growth -> inflationary pressures in economy <ul style="list-style-type: none"> • -> disproportionate impact on poor sections -Erosion of efficiency of investment <p><u>Structural deficiencies</u></p> <ul style="list-style-type: none"> -Low savings, investment rate -> low growth rate of income -Low growth in agri -> recession in industry -> weakened linkage effects -Structural issues: agriculture sector was not bolstered; import dependence for essential foodgrain requirements (PL480) -Despite larger state controls, public sector's share in investment rarely crossed 50% <p><u>Adverse events</u></p> <ul style="list-style-type: none"> -Drought & extreme starvation -> forced inequitable adoption of Green Revolution to achieve food sufficiency -Border conflicts w/ China, Pakistan disturbed sectoral allocation of investment <p><u>Regulatory Quality</u></p> <ul style="list-style-type: none"> -<u>Sukhamoy Chakraborty & DR Gadgil</u> blame implementation and quality of planning for failure <ul style="list-style-type: none"> • Authorities suffered data constraints, time lag -Law of unintended consequences operated in planning approach (Jean Dreze) <p><u>Reasons for shift to market economy</u></p> <ul style="list-style-type: none"> -Long term -- above -Immediate - BoP crisis <p>Reasons of failure of socialist model</p> <p>In planning system focus was on capital industries rather than agriculture and consumer industries. High gestation period of capital industries deprived common Indians. Thus benefits of growth did not reach to marginal sections.</p> <p>System of import controls which was designed to conserve scarce foreign exchange, actually served only to provide open-ended protection for domestic producers against foreign competition. It led to a high cost and low quality domestic production structure. Thus it slowed growth of the manufacturing.</p> <p>Protections to SSI and excessive regulation of large scale industries prevented growth of manufacturing. Thus employment creation was very low. In addition to that there were many regulations like MRTP, Licensing, FERA, etc. Thus all paved way for crony socialism. Benefits of growth was cornered by few people. It led to unequitable distribution.</p> <p>Looking at that situation of socialist model, India decided to open up and go for market economy.</p>			
<p>3. What were the economic and non-economic rationale for adopting mixed economy model in India? (10,2016)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> -Socio-economic profile at indep -- low savings, low literacy, poverty, inequality <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Economic rationale for public sector</u></p> <ul style="list-style-type: none"> -Lack of capability, willingness in private sector to undertake enterprise w/ long gestation period -Need for strong industrial base to accelerate growth -Address structural issues inhibit savings from being invested <p>-</p>			

		<p><u>Non-economic rationale for public sector</u></p> <ul style="list-style-type: none"> - Profit motive perceived as inhibitor to equality in society - Highly unequal society w/ concentration of wealth - Requirement of public sector for redistribution - Influence of Russian revolution on makers of modern India - Historical state control over railways, irrigation, etc - Even industrialist sector willing for state intervention (Bombay Plan) <p><u>Economic rationale for private sector</u></p> <ul style="list-style-type: none"> - Inadequate resources for complete redistribution - Private sector involvement in small scale and cottage industries took growth to grass roots level - Significant private presence in Indian enterprise since the interwar years, eg TATA steel <p><u>Non-economic rationale for private sector</u></p> <ul style="list-style-type: none"> - Industrialists as important supporters of the nationalist movement - Bombay Plan -- pvt sector willing for state intervention 			
4. What are the consequences of deviation from socialistic pattern of society and mixed economy particularly for the persons below the poverty line? Explain. (10,2014)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - In 1991 India shifted from socialistic pattern of society to the liberalisation. Lets analyse its consequences for the person below BPL. <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Focus on lack of income as the indicator for poverty taking away attention from other relevant factors, especially badly designed govt policies - There is need to focus on inclusive growth so that poor also get equal benefit of growth. -- 11th & 12th FYP 	<ul style="list-style-type: none"> - = consequences of capitalism for weaker sections - WB Study (Gaurav Datt) -- poverty decline -- 1.36% p.a. After 1991 v/s 0.44% p.a. Before 1991 - Tendulkar Committee Report -- poverty decline from 45% (1991) to 22% (2011) - => reforms successful in reducing poverty - Better std of living for BPL families - Himanshu () -- Poverty reduction due to PDS & MGNREGA, NOT reforms - Jobless growth post 1991 - Increased inequalities - 13% share of top 1% - Though absolute poverty declined, relative poverty much worse now - Poor quality of govt school, govt healthcare system broken -> high OOPe for poor (65% acc to ES 2021) - After 1991 reforms absolute poverty decreased. - Only marginal rise in standard of living of poor. 			
5. What do you mean by the 'Hindu rate of growth'? Why has it been argued that poverty cannot be eradicated under the Hindu rate of growth? (12,2012)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Hindu rate of growth refers to low growth rates of Indian economy during 1950-1980. - 3-3.5% - w/ low per capita GDP growth rate at ~1.5% <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Strong connection b/w growth & poverty alleviation established empirically 	<p><u>Slow growth rate hinders poverty alleviation:</u></p> <ul style="list-style-type: none"> - Small pie - absolute poverty prevalent despite redistribution - Small level of savings - doesn't generate surplus for investment - Low income levels associated w/ high MPC - Govt resources are similarly short funded - low tax base, low taxable surplus, low state capacity for revenue collection - Low development of human capital -- lack of investment in education & health by public sector - Inequalities obstruct trickle down of growth, unless size of pie is enlarged 			<ul style="list-style-type: none"> - Engel's curve? <input type="checkbox"/> - Quote models for conclusion <ul style="list-style-type: none"> • Kaldor distribution - favours capitalist sector for economic growth • Any other?
Decentralised Planning					
1. Discuss the relevance of decentralised planning after the implementation of the 74th CAA, 1992. (10,2020)	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Decentralised planning = bottom up approach in preparation of perspective plan; - New plans initiated by people rather than the central govt/ state <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Adequate resource support, capacity building crucial for strengthening decentralised planning in India 	<ul style="list-style-type: none"> - 74th CAA led to creation of District Planning Committee (DPC) (Art 243 ZD) and Metropolitan Planning Committee (Art 243 ZE). - Main features of DPC: <ul style="list-style-type: none"> • Consolidate plans prepared by Panchayats & Municipalities • Preparation of draft development plan for district as a whole - Increased relevance of decentralised planning w/ DPC as functional unit w/ the backdrop of disbanding of PC - Local govts better placed to choose appropriate policies, identify targeting - Effective & responsive provision of public goods, implementation of development programs - Overcomes limitation of centrally controlled planning which involves cumbersome procedures - DPC gives regard to spatial planning, sharing of natural & physical resources, integrated development of infra & envi conservation --> due focus on equity & social justice - Institutionalises citizen centric administration with tailor made plans as per needs 			
2. "Indian planning structure and system still remains largely in favour of a centralized nature of planning. The 73rd and 74th Constitutional Amendments have hardly brought about any change in reality	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 				

<p>in the nature of Indian planning process." Critically evaluate this statement. (25,2013)</p>					
<p>3. Explain the salient features of the 73rd and 74th Constitutional Amendments in India and elaborate the impact of its implementation. (10,2016) a. Discuss <u>salient economic feature</u> of 73rd and 74th Constitutional amendments. (20,2011)</p>	<p><u>Intro:</u> -73rd, 74th CAA have led to decentralisation in planning, decision making & administrative authority towards local self governing units</p> <p><u>Conclusion:</u> -Creating awareness & capacity building is thus vital for effective functioning of local govt</p>	<p><u>Salient economic features</u> -Financial federalism -Subsidiarity principle of Adam Smith for public finance -State Finance Commission (Art 243I)</p> <p><u>Some political features</u> -Institutions: 3-tier panchayat system in rural areas; non-hierarchical municipalities in transitional & urban areas -Power, authorities, responsibilities: for preparation of plans for eco dvpment & social justice; to be endowed by the state legislature (Art 243G, 243W) -Creation of State Election Commission (A 243K) & State Finance Commission (A 243I) -Reservation of seats for empowerment of women, SCs, STs (A 243D, A 243T) -District Planning Committee (A 243ZD) to consolidate plans prepared by panchayats & municipalities & prepare draft dvpment plan</p> <p><u>Impact of implementation</u> -New institutional space for people's participation & deepening of democracy -Decentralised multi level planning, catering to local requirements -Administrative and financial autonomy to superintendent development schemes -Gender empowerment & social justice -3-tier PRI sy</p> <p><u>Obstacles</u> - strings attached to state legislatures -Lack of resources & personnel -Pradhan-pati system -Over reliance on state, central aids -Culture of subservience</p>			
		<p><u>Features of 73rd Amendment</u> -3-tier PRI system; w/ gram panchayat at village level -Reservation of seats for SC, St, women at every level of panchayat -SFCs for devolution of resources -District planning committee to plan for district -11th Schedule -- distribution of powers b/w state legislature & panchayats</p> <p><u>Features of 74th Amendment</u> -Constitution of municipalities -Constitution of wards committees -Metropolitan Planning Committee to prepare a draft dvpment plan for metropolitan area as a whole -12th Schedule -- distribution of powers b/w state legislature & municipalities</p> <p><u>Implications</u> -Strengthened grass root democracy -Sped up the process of rural development • Eg Ralegan Siddhi emerged as 'model village' -Various schemes like MGNREGA could be implemented effectively w/ help of PRI -Step towards decentralised planning -Provision of Gram Sabha, Ward Committee -> increased accountability</p>			
<p>Paper 1 Questions</p>	<p>For now, just copied out solns -- add more after revising GS3</p>				
<p>1. <input type="checkbox"/> Explain how PPP helps in the rapid economic development of a country. (10,2020)</p>	<p><u>Intro:</u> - <u>Conclusion:</u> -</p>	<p>Repeat 2012</p>			
<p>2. <input type="checkbox"/> Can public-private partnership function effectively in the area of physical infrastructure? (15, 2019)</p>	<p><u>Intro:</u> -PPP is partnership between government and private enterprises for creation of infrastructure for public purpose. In the recent times use of PPP is increased for infrastructure creation.</p> <p><u>Conclusion:</u> -PPP is good model which will help is to reduce infrastructure deficit in India. It needs to be reformed to include 4th P that is people to make it more effective.</p>	<p><u>Effectiveness of public private partnership</u> -According to various growth theories capital is important for growth. PPP model augments public and private capital for growth. -Private player has expertise, it helps in speedy development of infrastructure. -PPP focuses on output than input. Thus private sector can brings innovation in infrastructure creation. -Presence of public sector ensures the accountability from private sector. If desired quality of infrastructure not provided then contract can be terminated. -PPP distributes risk between government and private players. It increases infrastructure creation.</p> <p><u>Factors which affects effectiveness of PPP mode</u> -Corruption in getting contracts is major issue. -Land acquisition delays infrastructure creation. -Exploitation of consumers by private players. For example high tolls in road -Red tape in approving projects.</p>			

<p>3. <input type="checkbox"/>What are shadow prices? Why are these preferred over market prices in project evaluation. (10, 2018)</p>	<p><u>Intro:</u> -Shadow prices reflects opportunity cost of the resources used. It is used for project evaluation</p> <p><u>Conclusion:</u> - _</p>	<p>Reasons for preferring shadow prices over market prices</p> <p>1. Imperfect market Mechanism – Market may not be working efficiently. In such case market prices do not correctly reflect relative scarcities, benefits, and costs.</p> <p>2. Imperfect wage market – In developing countries there is disguised unemployment. In such situation labor market may not necessary reflects true opportunity cost of labor.</p> <p>3. Imperfect capital market – If unadjusted market price of capital is used in calculating the cost of capital on investment projects, it would underestimate the real cost of such projects.</p> <p>4. Inflationary pressure – Developing countries suffer from inflationary pressures because the market mechanism operates imperfectly due to a number of socio-economic and administrative obstacle. Thus actual market prices do not reflect social benefits and costs. Because of this imperfections market prices may not reflect actual value. Thus to ensure actual value of project shadow prices over the market prices.</p>			
<p>4. <input type="checkbox"/>That marginal efficiency of capital together with the current rate of interest determine the profitability of an investment project. How does it help in the selection of an investment project? (20,2011)</p>	<p><u>Intro:</u> - _</p> <p><u>Conclusion:</u> - _</p>				
<p>5. <input type="checkbox"/>Explain why the market and the State have complementary roles in economic development? (15, 2018)</p>	<p><u>Intro:</u> Market and state are interdependent. Efficient working of both is necessary for development.</p> <p><u>Conclusion:</u> - Thus rather seining market and state mutually exclusive they should be considered complement ary for the economic development.</p>	<p>Complementary role of state and market in economic development</p> <p>-Enforcement of property rights and contracts: The state protects private property rights and enforces contracts by passing and enforcing laws through such organisations as courts and police.</p> <p>-Externalities: Under the externalities market may not be working at its efficient level. Thus government through subsidies and taxes can ensure efficient working of the economy.</p> <p>-Ensuring Competition: Through the unfair trade practices one player might establish monopoly. It reduces welfare of the society. Thus government has to regulate market.</p> <p>-Market failure: In Cob Web like situation market may fail to achieve equilibrium. In such situation government can help to achieve equilibrium.</p> <p>-Resource Crunch: Government may short of funds. Thus Public private partnership can fill the gap of funds. Also government might lack expertise in some area. It can be fulfilled by private players.</p> <p>-Limitations of government: Government might not be able to fulfil demand of all the citizens. Thus private player can come in picture to complement government. For example during corona private hospitals are also converted to the COVID wards.</p>			
<p>7. <input type="checkbox"/>Examine the effects of public expenditure on the development process of an economy. (15, 2016)</p>	<p><u>Intro:</u> - _</p> <p><u>Conclusion:</u> - _</p>				
<p>8. <input type="checkbox"/>What is indicative planning? In this context, explain how State and markets can play a synergistic role in economic development. (10, 2015)</p>	<p><u>Intro:</u> - _</p> <p><u>Conclusion:</u> - _</p>	<p>Indicative planning</p> <p>-Planning where state plays the role of facilitator rather than holding the commanding heights of the economy.</p> <p>-Targets are set and the private sector is 'induced' to achieve those goals through various incentives to promote desirable behaviours -- subsidy, tax cuts, easy land clearance, etc -- and undesirable activities are disincentivised through heavy taxes, etc.</p> <p>-Part 2 above in complementary role</p>			
<p>9. <input type="checkbox"/>Point out the critical elements in typical Public-Private-Partnership (PPP) agreements in the infrastructure projects to safeguard the interests of the public. (10, 2014)</p>	<p><u>Intro:</u> - _</p> <p><u>Conclusion:</u> - _</p>	<p>- Level of user charges have ceiling. Company can not charge beyond it.</p> <p>-Project will be properly evaluated and regulated in the interest of public.</p> <p>-Government can cancel contract in case of non fulfilment of service delivery obligations.</p> <p>-It is private player's responsibility to complete project on time. Government won't be responsible for change in the cost due to delay.</p> <p>-Operation and maintenance is responsibility of the private partner for first few years so that quality is ensured.</p> <p>-Once the cost is covered project will be transferred to the government.</p> <p>-Those who are affected by project should be provided proper compensations.</p>			
<p>10. <input type="checkbox"/>The solution</p>	<p><u>Intro:</u></p>	<p>India's long term development needs</p>			

of long-term development needs of India lies in promoting public-private partnership." Discuss. (20, 2012)	<p>- <u>Conclusion:</u></p> <p>- Thus the solution of long term development needs of India lies in promoting public-private partnership.</p>	<p>- Quality infrastructure</p> <p>- Funds to build infrastructure</p> <p>- Technology to address problems</p> <p>Public private partnerships can fulfil these needs. PPP can helps a country in long term development by following ways.</p> <p>- <u>Dealing with resource crunch:</u> Government may short of funds. Thus Public private partnership can fill the gap of funds. Also government might lack expertise in some area. It can be fulfilled by private players.</p> <ul style="list-style-type: none"> • Eg - BOT projects for highway dvpment • Metro Rail projects <p>- <u>Dealing with limitations of government:</u> Government might not be able to fulfil demand of all the citizens. Thus private player can come in picture to complement government. For example during corona private hospitals are also converted to the COVID wards.</p>			
11. □ For optimal allocation of resources, which of the options – market forces, planning exercise of a combination of both – should be suitable for the third world countries? Defend your stand. (20, 2012)	<p><u>Intro:</u></p> <p>- <u>Conclusion:</u></p> <p>-</p>	<p>- Combo of both</p> <p>- Same points as in complementary role</p>			
12. □ With the change in economic policies, relative role of market & the state also changes. Do you agree? Illustrate with suitable examples. (2007)		<p>- India:</p> <ul style="list-style-type: none"> • Previously - state at commanding heights • Now - complementary role 			

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New Economic Policy and Employment

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc																																																																																																		
Employment, employment generation, Rural Wages, NREGS		<p>□ 2020 mains 365 page 22 -- recent policy reforms for poverty alleviation</p>																																																																																																					
1. Discuss the <u>changes in sectoral composition of GDP</u> with the changes in the <u>sectoral components of employment</u> in India since <u>independence</u> . (15,2020)		<p><u>Quantitative Changes</u></p> <ul style="list-style-type: none"> - Rising trend of national income and per capita income - Increase in agri and industrial o/p <p><u>Qualitative Changes aka Structural Changes</u></p> <p>a. Sectoral Composition of National Income</p> <ul style="list-style-type: none"> - Contribution of tertiary sector in GDP increased over FYPs period - GDP growth rate b/w 1950-80: 'Hindu rate of Growth' - Share of agri continuously declining; despite Green revolution - Presently dominated by services sector - Contribution of public sector towards GDP rose from 15% in 1970 to 24% in 2001; though declining since NEP 1991 <p>b. Occupational pattern</p> <ul style="list-style-type: none"> - static in light of structural change in economy - No appreciable fall in prop engaged in agri - Marginal increase in secondary sector b/w 1951 & 1981; decline till 1991, rose after that - Unbalanced occupations pattern - VKRV Rao: India's occupational structure exhibits 'structural retrogression' <ul style="list-style-type: none"> • Massive rise in popn • Inadequate growth of industries, services <p>c. Development of basic & heavy industries</p> <ul style="list-style-type: none"> - initially tilted heavily in favour of consumer goods industries - w/ FYPs - diversification of industrial struct <p>d. Economic and social overhead capital formation</p> <ul style="list-style-type: none"> - Social overhead capital = transport, irrigation, power, education, health, etc - Rapid strides under FYP 	<p>- Colin Clark: Structural changes indicate economic dvpment -- as eco dvp occurs, the primary sector loses its importance and secondary, tertiary gain importance.</p> <p>- Clark-Fisher Thesis: in an expanding economy, employment situation shifts more and more in favour of secondary and tertiary sectors</p>	<table border="1"> <caption>Table 12.2 : GDP and its Sectoral Share (1999-2000 prices)</caption> <thead> <tr> <th></th> <th>Agriculture and allied</th> <th>Industry</th> <th>Services</th> </tr> </thead> <tbody> <tr> <td>1950-51</td> <td>55.9</td> <td>14.9</td> <td>29.2</td> </tr> <tr> <td>1970-71</td> <td>45.2</td> <td>21.7</td> <td>33.1</td> </tr> <tr> <td>1980-81</td> <td>38.1</td> <td>25.9</td> <td>36.0</td> </tr> <tr> <td>1990-91</td> <td>33.2</td> <td>25.2</td> <td>41.6</td> </tr> <tr> <td>2006-07</td> <td>20.5</td> <td>24.7</td> <td>54.8</td> </tr> <tr> <td>2007-08</td> <td>19.4</td> <td>24.9</td> <td>55.7</td> </tr> </tbody> </table> <table border="1"> <caption>Table 12.3 : Sectoral Growth Rates (in percentage)</caption> <thead> <tr> <th>Year</th> <th>Primary</th> <th>Secondary</th> <th>Tertiary</th> <th>GDP</th> </tr> </thead> <tbody> <tr> <td>1950-51 to 59-60</td> <td>2.3</td> <td>5.7</td> <td>4.1</td> <td></td> </tr> <tr> <td>1960-61 to 69-70</td> <td>2.5</td> <td>6.5</td> <td>4.9</td> <td>3.5</td> </tr> <tr> <td>1970-71 to 79-80</td> <td>1.3</td> <td>3.7</td> <td>4.5</td> <td></td> </tr> <tr> <td>1980-81 to 91-92</td> <td>3.9</td> <td>6.3</td> <td>6.4</td> <td>5.4</td> </tr> <tr> <td>1992-93 to 2001-02</td> <td>3.3</td> <td>6.3</td> <td>7.8</td> <td>6.1</td> </tr> <tr> <td>2001-02 to 2003-04</td> <td>6.2</td> <td>2.7</td> <td>7.1</td> <td>5.8</td> </tr> <tr> <td>2003-04 to 2005-06</td> <td>10.0</td> <td>7.6</td> <td>8.2</td> <td>8.5</td> </tr> <tr> <td>2005-06 to 2006-07</td> <td>6.0</td> <td>9.6</td> <td>9.8</td> <td>9.0</td> </tr> <tr> <td>2006-07</td> <td>2.7</td> <td>10.0</td> <td>11.2</td> <td>9.2</td> </tr> </tbody> </table> <table border="1"> <caption>Table 12.4: Distribution of Working Population (in percentage)</caption> <thead> <tr> <th>Sector</th> <th>1951</th> <th>1981</th> <th>1991</th> <th>2000</th> </tr> </thead> <tbody> <tr> <td>Primary</td> <td>72.1</td> <td>68.7</td> <td>66.8</td> <td>56.7</td> </tr> <tr> <td>Secondary</td> <td>10.6</td> <td>13.5</td> <td>12.7</td> <td>17.5</td> </tr> <tr> <td>Tertiary</td> <td>17.3</td> <td>17.8</td> <td>20.5</td> <td>25.8</td> </tr> </tbody> </table>		Agriculture and allied	Industry	Services	1950-51	55.9	14.9	29.2	1970-71	45.2	21.7	33.1	1980-81	38.1	25.9	36.0	1990-91	33.2	25.2	41.6	2006-07	20.5	24.7	54.8	2007-08	19.4	24.9	55.7	Year	Primary	Secondary	Tertiary	GDP	1950-51 to 59-60	2.3	5.7	4.1		1960-61 to 69-70	2.5	6.5	4.9	3.5	1970-71 to 79-80	1.3	3.7	4.5		1980-81 to 91-92	3.9	6.3	6.4	5.4	1992-93 to 2001-02	3.3	6.3	7.8	6.1	2001-02 to 2003-04	6.2	2.7	7.1	5.8	2003-04 to 2005-06	10.0	7.6	8.2	8.5	2005-06 to 2006-07	6.0	9.6	9.8	9.0	2006-07	2.7	10.0	11.2	9.2	Sector	1951	1981	1991	2000	Primary	72.1	68.7	66.8	56.7	Secondary	10.6	13.5	12.7	17.5	Tertiary	17.3	17.8	20.5	25.8	
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2. Examine the recent trend in rural wages in India. Discuss the role of MGNREGA in determining this trend. (15,2020)

- 2 components of rural wages -- agricultural + unskilled non-agri wages

Trends

- **Persistent rise in real wages for both genders at all-India level**

- Female wages recorded higher growth rate than male wages for both agricultural and non-agri occupations

- Why? - expansion of green revolution, public expenditure, expansion in non-farm opportunities
- Resulted in poverty decline in 1980s

- Rural wage growth decelerated after 1993-94, till 2004-05

- Stagnation b/w 1998 and 2008 (WRI Data)

- Accelerated wage growth rate after 2004-05; peaked at 12% p.a. In 2007-08

- Again faster growth of female wages -> narrowing of gender wage differential

- Majorly broad based wage growth

Impact of wage trend

- Period of sharp wage rise coincies w. High inflation

- Guha & Tripathi (2014) -- since 2007, wage changes not explained by prices; rather impact price rise by feeding into production cost

Determinants of Wage trend

- Period after 2004-05: jobless growth

- Slow employment growth after 2004-05 due to sharp redn of 21mn female workers

- Agricultural productivity per worker, literacy rate are major determinants of rural real wages (Kundu, 2017)

- Negative impact of land-labour ratio on wage rate

- Decreasing impact of agricultural productivity on rural wages -- divorce of agri & rural wages -> non-farm diversification (Kundu, 2017)

Impact of NREGA on wage trend

- Imbert & Papp (2014) - wages for casual work excluding MNREGA increased by 5%

- Significant indirect gain from increase in pvt sector wages; ~50% of direct gains from participating in the program

- Significant determinant of regional and state level variations in rural real wage rates

- Raised rural wage levels

- Created non-farm employment

- Declining of MGNREGA after 2011 due to criticism

- In the short term, increased purchasing power of the poor

Policy recommendations

- Importance of literacy and skill-building for poverty reduction through wages (Kundu, 2017)

- Increase farm diversification

- For sustained rural growth, require considerable public spending in programmes that help skill development among rural workforce

Core Objectives

- Provide not less than 100 days of unskilled manual work as guaranteed emp in a financial year to every rural hh, acc to demand

- Creation of productive assets of prescribed quality and durability

- Strengthening PRIs

- Proactive social inclusion

- Strengthen livelihood resource base of poor

- Strengthen natural resources via works that deal w/ famine and deforestation, leading to sustainable growth

- Strengthening grass-roots democratic procedures

- Women empowerment

- Inserting visibility and responsibility into govt

MGNREGS as a paradigm shift

- Bottom-up, people-centred, demand-driven, self selecting model

- **Rights based approach**

- Legal guarantee to get unemp allowance if emp not provided w/in 15 days; borne by state govt

- At least **one third beneficiaries are women**

- Would improve female LFPR -- 26% in rural, 15% in urban areas
- During COVID - 52% emp generated went to women

- Sujata Kundu (2017) - all data, analysis on trends presented here

- Saibal Ghosh (2017) - NREGA improved financial access of households

Table 2 Growth Rates of Real Wages from NSS EUS (1999-2000 prices)

Rural Labour: Categories	1983 to 1993-94	1993-94 to 1999-2000	1999-2000 to 2004-05	2004-05 to 2007-08	2007-08 to 2011-12
Agricultural Wages: Male	3.5	2.8	1.6	4.3	10.6
Agricultural Wages: Female	3.9	2.9	1.2	5.7	13.2
Agricultural Wages: Persons	3.6	2.8	1.5	5.0	11.8
Non-Agricultural Wages: Male	2.9	3.7	1.5	3.9	8.0
Non-Agricultural Wages: Female	5.0	5.1	2.0	3.8	8.9
Non-Agricultural Wages: Persons	3.6	4.2	1.5	3.9	8.4

Date Source: Own calculations using NSS wage data and CPIAL from Labour Bureau, Shimla

Table 1 Real Wage Rates from NSS EUS (1999-2000 prices)

Rural Labour: Categories	1983	1993-94	1999-2000	2004-05	2007-08	2011-12
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Agricultural Wages: Female	17.0	24.0	28.6	30.2	35.7	49.7
Agricultural Wages: Persons	22.1	30.5	36.0	38.7	44.8	60.5
Non-Agricultural Wages: Male	37.2	48.0	59.5	64.0	71.8	87.1
Non-Agricultural Wages: Female	17.8	27.6	37.3	41.3	46.1	58.0
Non-Agricultural Wages: Persons	31.9	43.9	56.2	60.5	67.9	83.6

Date Source: Own calculations using NSS wage data and Consumer Price Index for Agricultural Labourers (CPIAL) from Labour Bureau, Shimla

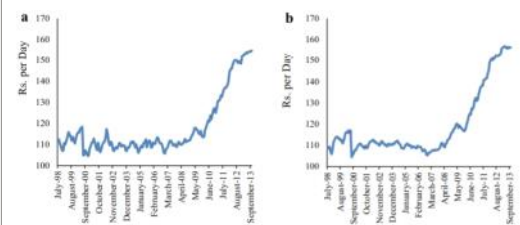


Fig. 1 All-India Rural Real Wages for Male Labourers (2011-12 prices). a Agricultural Wage. b Unskilled Labour Wage. Source: WRII data from Labour bureau. Nominal wages have been deflated using CPIAL.

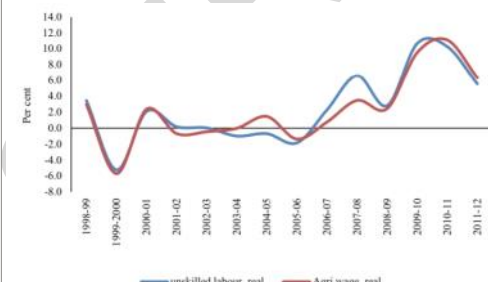


Fig. 2 All-India Year-wise Growth Rate of Real Wages (2011-12 prices). Source: WRII data from Labour bureau. Nominal wages have been deflated using CPIAL.

3. What are the core objectives of the MGNREGS? In what ways has a paradigm shift taken place with the implementation of MGNREGA? (20,2019)

Core Objectives

- Provide not less than 100 days of unskilled manual work as guaranteed emp in a financial year to every rural hh, acc to demand

- Creation of productive assets of prescribed quality and durability

- Strengthening PRIs

- Proactive social inclusion

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ILO (2008)

- NREGA has raised agri wages as labourers reluctant to accept less than official min wage

- Provides insurance for rural workers against unemployment, stabilises work for rural hhs by providing opportunities during agri off-season

- Assets created under NREGS contribute to increasing agri productivity (though

TABLE 6.3 Key Issues with MGNREGA Implementation as Identified by Field Studies

Indicator	Issues
Demand for Work	<ul style="list-style-type: none"> • Lack of awareness about the provision of demanding work • Dated receipt not given to applicants for work • Demand for work not recorded by States • Work not provided within 15 days • Job seeker denied employment • Unemployment allowance not paid
Planning of Works	<ul style="list-style-type: none"> • GSs not convened or not enough participation • GSs involvement in plan preparation is minimal, its role often confined to a formality of approving what has already been done by the block • Choice of works not oriented towards the priorities envisaged under MGNREGA • Inadequate shelf of works for execution through the year or poor planning • Lack of capacity in GP and shortage of technical staff with GPs for planning • Technical sanction and administrative sanctions not obtained
Worksite Management	<ul style="list-style-type: none"> • Worksite facilities not available • MRs not available at worksites or not properly maintained • ICs not with beneficiaries or not updated • Measurement not being done on time • Improper supervision or allocation of work • Presence of machinery or contractors • Fake entries or tampered MRs
Quality of Works	<ul style="list-style-type: none"> • Poor planning results in poor results (plantations made but no arrangement for watering meant plants died, etc.) • Several works left incomplete • Shortage of staff a serious issue in ensuring technical quality and durability • Some works, like roads, required machinery and tractors to ensure durability
Wage and Wage Payments	<ul style="list-style-type: none"> • Delays in payment; in some panchayats, delays cross 2-3 months • Solls not accurately determined • Long gaps between work and measurement also cause delays in wage payments • Shortage of funds at block level also reportedly a cause of delayed wage payments • Increases in task rates made at the state level do not translate into similar increases at the GP level because it does not have the capacity to rework the estimates and engineers who can do so are too few in number. • Banks/Post Offices do not have branches/staff, etc. to cater to MGNREGA • Fudging of MRs/ghost workers (workers that do not exist yet are shown as beneficiaries)
Other: Administrative Constraints	<ul style="list-style-type: none"> • Poor maintenance of Records like employment registers • Poor ICT infrastructure for monitoring (including computers, internet connectivity)
Transparency and Social Audit	<ul style="list-style-type: none"> • Social Audits not conducted • Reports and documents show that there are: <ul style="list-style-type: none"> - No active vigilance committees - No vigilance committees

	<p>- Overcomes targeting issues -- self-targeting</p> <p>- Incentivises states</p> <ul style="list-style-type: none"> • 100% labour cost, 75% material cost borne by Gol <p>- Employment within a radius of 5km; beyond that extra wage</p> <p>- Mandatory social audit</p> <p>- Empowers Gram Panchayat to register hhs</p> <p>- Unprecedented devolution of financial resources to GP and</p> <p>- Multidimensional aims</p> <ul style="list-style-type: none"> • Job creation • Improve quality of assets • Skilling workers for entrepreneurship <p>- GeoMGNREGA - by MoRD + NRSC + NIC -- geotagging of assets under MGNREGA</p> <p><u>Challenges/ Current Issues</u></p> <p>- 60:40 wage:material ratio at Gram Panchayat level led to proliferation of unproductive assets; now it is mandated at district level</p> <p>- Limited linkage b/w employment and human capital development (ILO,2008)</p> <p>- Poor, illiterate hhs, can't easily turn rights into actions (ILO)</p> <p>- MNREGA wages below prevailing agri wages raises questions on the balance b/w <u>social inclusion</u> and <u>social justice</u></p> <p><u>Suggestions for reforms</u></p> <p>-</p>	<p>regressive benefits as asset locations tend to favour better off hhs)</p> <p>- Despite concerns about exclusion, evidence suggests that MNREGA has mobilised women, enhanced their independence</p>	
<p>4. Do you agree that MGNREGA has been plagued with rampant malpractices, leakage of funds and diversion of resources? Give reasons. (10,2018)</p>	<p><u>Intro</u></p> <p>-</p> <p><u>Conclusion</u></p> <p>-</p> <p><u>Malpractices</u></p> <p>- Muster rolls - not updated daily/ unavbl at site</p> <p>- Fake entries in muster rolls - ~33% leakage through this in Jharkhand</p> <p>- CAG (2006): 150 works in Odisha executed through contractors; cost of machines = 70% of total cost of work</p> <p>- Payments to ghost workers (CAG)</p> <p><u>Other Challenges</u></p> <p>- Low awareness about unemp allowance, work on dd, GRMs</p> <p>- Infrequent meeting of Gram Sabha; low participation</p> <p>- Prop of work undertaken under GS <50% of distt allocation</p> <p>- Delay in payments</p> <p><u>Causes</u></p> <p>- Staff shortage</p> <p>- Irregular flow of funds</p> <p>- Weak PRIs</p> <p>- High demand intensity in certain underdeveloped states w/ low institutional capacity</p> <p><u>Way forward</u></p> <p>- Innovative pilots</p> <p>- Social audits w/ aid of NGOs</p> <p>- Strengthening PRI</p> <p>- Improve awareness levels</p> <p>- Adequate staffing, regular flow of funds</p>	<p><u>CASE</u></p> <p>- TN: each worker must sign/ thumb print on muster everyday -- makes fudging diff + lot of people see it everyday</p> <p>- Odisha - GPRS enabled phones used to enrol beneficiaries, make payments</p>	
<p>5. NREGS should be reoriented to create productive permanent assets to promote employment and generate income in the rural sector. Critically evaluate. (20,2014)</p>	<p><u>Intro</u></p> <p>-</p> <p><u>Conclusion</u></p> <p>- The problems with quality, durability, rate of work completion do not arise due to the design of the Act, rather the strength of implementation on ground level</p> <p><u>Critiques:</u></p> <p>- Since primary objective - works are labour intensive => non-durable assets; of limited use (Bassi, 2010)</p> <p>- Low durability of civil works on all weather roads due to non-use of rollers etc necessary for compaction (MNREGA Sameeksha)</p> <p>- Low utilisation due to poor planning</p> <ul style="list-style-type: none"> • Andhra - only 16% farm ponds being utilised <p>- Inadequate staff leading to poor quality, low effectiveness of assets</p> <p>- Weakness of water related works: excessive conc on excavation, desilting ponds w/o corresponding work on treating catchment areas/ construction of dams based on earthen engg</p> <p>- Non-completion of work</p> <ul style="list-style-type: none"> • Lack of technical support to communities on planning, starting work <p><u>Positives:</u></p> <p>- Most assets had a RoI of over 100% in the first year (Verma)</p> <p>- Perception based surveys consistently put desirability of assets created under MGNREGA above 70% (MNREGA Sameeksha, 2012)</p> <p>- Good technical quality of wells, bunds, dams, anicuts -- 'fail proof' (IDYWC)</p> <p><u>Need for reorientation</u></p>		

	<p>- In terms of implementation, rather than act itself</p> <p>- Need adequate staffing, w/ technical guidance for proper planning, siting, timely completion of the works taken up under the act</p> <p><u>Way forward:</u></p> <p>- Leveraging for sustainable devpment owing to 'convergence' approach</p>																										
<p>6. Analyse the impact of MNREGA on rural and urban wages and rural migration. (20,2011)</p>	<p><u>Impact of MNREGA on rural wages</u> (covered above)</p> <p><u>Impact of MNREGA on urban wages</u></p> <p>- Imbert & Papp (2014)</p> <p>- Given the size differential of urban and rural workforce, even small changes in short term migration significantly affect urban wages</p> <p>- Urban wages in cities relying more on migrant areas from rural areas w/ MGNREGA increased by 6% (Imbert & Papp, 2014)</p> <p>- Increased migration from rural areas w/o MGNREGA initially caused 5% drop in urban wages; disappeared after nationwide rollout of MNREGA</p> <p><u>Impact of MNREGA on rural migration</u></p> <p>- Imbert & Papp (2014) - 2 types of migration considered</p> <p>- Decreased short term migration (upto 6 months) by 10%</p> <p>- No impact on long term migration</p>																										
<p>7. What are the basic features of new national rural employment guarantee scheme what are the impediments in their implementation? (20,2016)</p>	<p><u>Basic features of new NREGS</u></p> <p>- Same as previously written</p> <p><u>Impediments in implementation</u></p> <p>- Identification of household - ambiguity of nuclear/ joint family</p> <p>- Issues related to registration, application</p> <p>- Inadequate and sub-standard work quality --</p> <p>- Delay in payment of wages; wages linked to CPI-AL -> low level of wages; state-wise disparity</p> <p>- Lack of proper planning and supervision</p> <p>- Absence of social audit</p> <p>- Poor record keeping</p> <p><u>Non-institutional impediments</u></p> <p>- Awareness, people's participation in decision making, dubious role of 'mates' (sought 'share' of wages), illiteracy & communication gap, corruption, lack of community support in reporting grievances</p>																										
<p>8. Examine the relation between casualisation of employment and poverty in India. (15,2019)</p>	<p><u>Intro</u></p> <p>- Casualisation refers to the transformation of a workforce from one employed chiefly on permanent contracts to one engaged primarily on a short-term/casual basis</p> <p><u>Conclusion</u></p> <p>—</p> <p><input type="checkbox"/> Also add informalisation data</p> <p><u>Evidence of increasing casualisation</u></p> <p>- b/w 1972 to 2000</p> <p>- Distress driven in rural areas</p> <p>- Urbanisation; higher urban wages</p> <p>- Displacement of regular workers from large enterprises</p> <p>- Expansion of self employment (2000-05) followed by decline -> increase in casual labour</p> <p>- Increase in employment and construction sector</p> <p><u>Relation w/ poverty</u></p> <p>- Usually as casualisation increases, poverty increases.</p> <p>- However in India, this trend is not seen.</p> <p>- Poverty is showing declining trend over the period while casualisation is increasing in India</p> <table border="1" data-bbox="300 1688 571 1771"> <tr> <td></td> <td>1991</td> <td>2010</td> </tr> <tr> <td>Informal sector emp</td> <td>91%</td> <td>93%</td> </tr> <tr> <td>Poverty (Tendulkar)</td> <td>45%</td> <td>22%</td> </tr> </table> <p><u>Possible reasons</u></p> <p>- Himanshu (2012) - poverty decrease due to govt efforts like PDS, MNREGA</p> <p>- NCAER - 32% contribution in poverty reduction is due to MNREGA.</p> <ul style="list-style-type: none"> • MNREGA jobs = casual workers <p>- Govt organisations are also hiring contractual labour</p> <p>- Complex labour laws -> firms forced to hire contractual workers</p> <p>- Complex tax structure -> firms lack incentives to get formalisation</p> <p>- RBI: MNREGA increased bargaining power of workers -> increase in rural wages in India</p>		1991	2010	Informal sector emp	91%	93%	Poverty (Tendulkar)	45%	22%		<p><u>Informalisation of Economy</u></p> <p><u>NCEUS National Commission for Enterprises in the Unorganised Sector</u></p> <p><u>Informal Sector or Unorganised sector:</u> "The unorganised sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers".</p> <p><u>Informal worker/employment:</u> "Informal workers consist of those working in the unorganized sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers".</p> <p><u>Informal economy:</u> The informal sector and its workers plus the informal workers in the formal sector constitute the informal economy.</p> <p>- Decline in unorganised sector</p> <table border="1" data-bbox="788 1480 979 1552"> <tr> <td></td> <td>2004-05</td> <td>2009-10</td> </tr> <tr> <td>unorganised</td> <td>86%</td> <td>84%</td> </tr> <tr> <td>organised</td> <td>14%</td> <td>16%</td> </tr> </table> <p>- Increase in organised sector mainly in informal category</p> <p>- Informal employment - very high compared to Brazil, Mexico, Indonesia, Philippines</p> <table border="1" data-bbox="788 1592 1034 1637"> <tr> <td></td> <td>1999-00</td> <td>2009-10</td> </tr> <tr> <td>Informal employment</td> <td>91%</td> <td>93%</td> </tr> </table> <p>- Causes</p> <ul style="list-style-type: none"> o <u>Exclusion view:</u> dual nature of labour markets <ul style="list-style-type: none"> ▪ Highly productive formal sector + subsistence informal sector ▪ Constrained expansion of formal sector; workers excluded from formal jobs <ul style="list-style-type: none"> □ Insufficient capital accumulation, excessive regn costs ▪ Informal sector absorbs excess labour o <u>Voluntary view:</u> firms, workers decide on whether to become formal by comparing perceived costs, perceived benefits <ul style="list-style-type: none"> ▪ Impact of labour institutions, taxation, regulations <p>- Consequences</p> <ul style="list-style-type: none"> o Drag on economic development -> inequality o Sizeable gains possible from eliminating productivity differences <ul style="list-style-type: none"> ▪ Informal job in formal sector = 2x value added than informal job in informal sector ▪ Formal job in formal sector = 10x value added than informal job in formal sector o Vulnerability to human rights violations - job security, access to safety nets o Strong correlation b/w informality and poverty in India o Firm level: <ul style="list-style-type: none"> ▪ Benefits: Lower price, higher flexibility in informal sector ▪ Costs: low worker loyalty, disincentive to invest in worker skill building ▪ Social costs to workers and economy as a whole o Significant fiscal cost (foregone fiscal revenue) o Hampers ability of economic policies to have direct & quick impact on the economy 		2004-05	2009-10	unorganised	86%	84%	organised	14%	16%		1999-00	2009-10	Informal employment	91%	93%
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Way forward

9. The quality of employment, in general, in India is perceived to be alarming. How would you analyse the situation? (20,2017)

Features of Indian labour market
 - 2.5x increase in labour force in India b/w 1971 and 2011 (Census)

Year	Labour force
1971	18.07 cr
1991	30.60 cr
2011	48.17 cr

- Low worker population ratio in India (40%) in contrast to developed ctries

- Rapid popn growth
- Low female participation

- Rural worker population ratio (77%) is greater than urban worker popn ratio (23%)

- Much lower female LFPR (25%) than male LFPR (53.2%)

- Low sex ratio of workers -- only 30% workforce is female (NOT LFPR) (15 cr female out of total 48 cr)

Year	Male	Female
1971	80%	20%
1991	71%	29%
2011	70%	30%

- Proportion of rural workers in all workers exceeded 75% -- decreasing pattern => urbanisation

Year	Rural workers	Urban workers
1971	82.5%	17.5%
1991	79%	21%
2011	77%	23%

- Underemployment

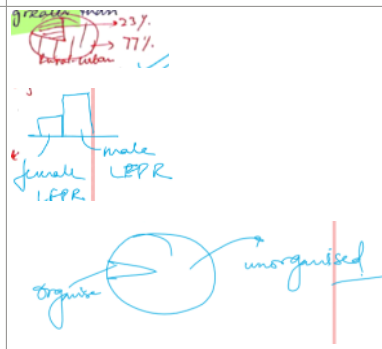
- Low productivity low wage jobs
- 2011-12 -- agri engaged 50% of workforce but contributed only 15% of GDP
- 2010-11 - in mfg, small firms employed 72% but produced only 12% of mfg o/p
- 2006-07 - service sector - MSMEs employed 98% of the workforce, produced only 68% of services

- Duality: 17.3% organised, 82.7% unorganised

- Structural shift (from Q12 below)

Reasons:

- Complex labour laws -> firms forced to hire contractual labour
- Cost cutting imperative -> govt orgs also resort to hiring contractual labour
- Increased cost of compliance to complex labour laws -- preference for capital intensive methods despite labour abundant country
 - Pressure on agri
- Complex tax structure -> obstacle to formalisation of firms -> large part still informal
- India skill -- 48% of graduated students do not have skills to be employment
- India's mfg gr -- stagnant;
- Service sector expansion -- low employment



10. Examine the labour policy of India and its impact on employment (labour) market in Indian economy. (15,2014)

□ - From labour codes vision weekly focus

11. Employment pattern in India in post-reform period has moved in favour of contractual, casual and self-employment. How public sector employment

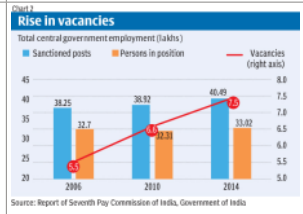
Employment pattern post liberalisation
 - (covered in Q12)
 - 1991-2010: informal sector emp increased from 91% to 93%
 - Even in formal sector, preference for contractual workers
 - Possibly due to complex, rigid labour system in India

- Trend of Public sector emp deceleration on labour market
 - Absolute no. Of public jobs very low

- => Coverage, quality of public services is grossly inadequate

- Central, state govts lag in filling vacancies
 - Central govt jobs = 14% of total public jobs
 - Decline in non-executive jobs in CPSEs -- fewer workers handled by relatively more

- Caponi (2017) on pros & cons of public sector emp
 ➤ Pros
 - Effective means of reducing unemp in SR, provide stabilising effect during recessions, in relatively disadvantaged regions



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impact
the future
of labour
(employ
ment)
market in
India?
Elaborate
(10,2014)

managers & supervisors

Impact

- Less secure contracts, deteriorating conditions of work
- Spillover effect on private sector that lowers its own wages
- Higher unemp due to limited opportunity
- Impact on long run productivity gains of public enterprises --> impacts on long run labour dd
- Reduced level of emp generation through direct & multiplier effects
- Marginalised groups at a disadvantage
- Role of 'model employer' compromised

Impact of casualisation on future labour market

- Contractual employment -> low incentive to invest in labour training
- ILO Evidence -- hiring contract workers today hurt's a firm's productivity tomorrow
 - B'cos contract workers do not accumulate 'firm specific human capital'
 - Impacts LR growth trajectory
- Increased contractualisation of govt jobs
- Might create difficulties for person to switch from govt sector to pvt sector
- Absence of worker rights protection
- Economic shock -> unemployment rate increases -> further depression due to demand side slack
- Might increase unwillingness to participate in labour force
- Encourage rent seeking over investing in productive activity

- Create dd in other sectors of the economy
- Supports equitable policies, viz encouraging emp of marginalised groups

- Cons
- Reducing SR unemp thru public sector expansion only possible when public sector wages are flexible acc to productivity
- Wages unresponsiv e to productivity differences can increase unemp
- Expansion of public sector 'crowds out' pvt sector emp
- High public sector emp may lower overall productivity in an economy that is reallocating resources from pvt (higher productivity) to public (lower productivity) sector

12. Account for the change in the employment pattern in India after liberalization. What are your suggestions for employment security in the 'informal' sector of the economy? Discuss. (25,2013)

Intro:
- Prabh
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Patnaik
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Employment pattern post liberalisation

- Jobless growth - deceleration in employment gr despite accelerated eco gr
 - 2004-11: GDP growth @8.5%, but emp gr @0.5%
 - Employment elasticity of 0.04

- Employment elasticity

1972-83	0.52
1983-93	0.41
1993-04	0.2
2004-11	0.04

- Absolute employment -- job creation improved in last decade, yet remains below the o/p gr rate

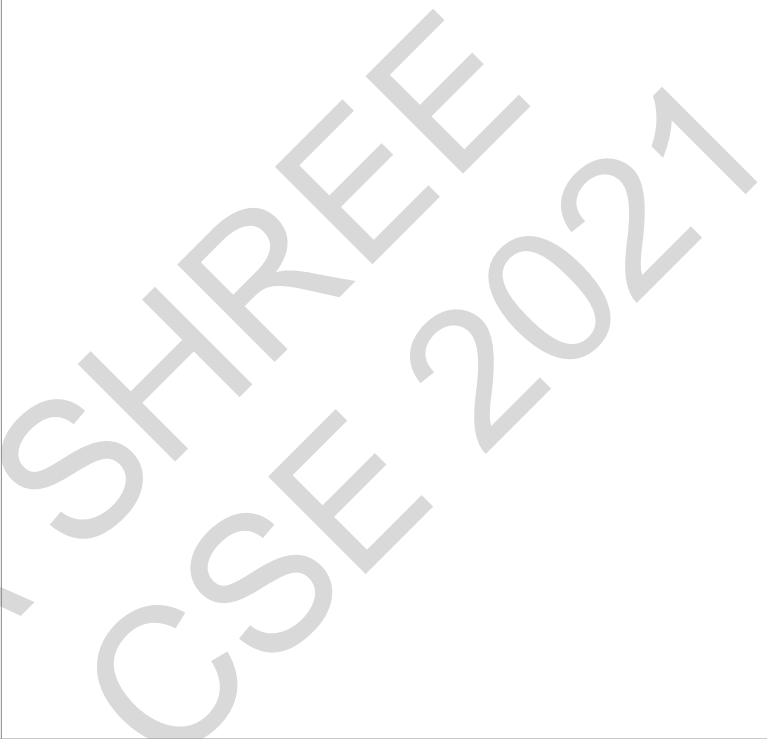
	Labour force	Work force	Job creation
1993-94	382 mn	375	
1999-00	407 mn	395	23
2004-05	469 mn	457	60
2009-10	472 mn	462	5
2011-12	484 mn	472	10

- Withdrawal of rural females (female LFPR 33% b/w 1977 to 2004; now 25%)

- C Rangarajan - education effect, income effect
- ILO ranks India's Female LFPR at 121/131 (2013) -- among lowest in the world

- Sectoral distribution of emp

	1993	2011
Agri & allied	58.5	48.9%
Industry	14.7	24%



		<table border="1"> <tr> <td>(i) mfg</td> <td>10.5</td> <td>12.8</td> </tr> <tr> <td>(ii) construction</td> <td>3.1</td> <td>10.6</td> </tr> <tr> <td>Services</td> <td>20.5</td> <td>26.7</td> </tr> </table> <p>-Structural shift</p> <ul style="list-style-type: none"> • ~37 mn workers abandoned agri in 7 year pd 2004-2012 • Concurrence w/ structural shift in o/p • Construction sector - fastest emp generation growth -- quality -- casual & temporary jobs • Mfg sector - 'backbone' of industrial & economic progress - continues to stagnate <p>-Gender distribution of structural shift</p> <ul style="list-style-type: none"> • Share of construction sector in both male & female emp increase <p><u>Measures for employment security in 'informal' sector</u></p> <p>-Policy measures</p> <ul style="list-style-type: none"> ☐ - Add from new labour code ☐ - More <p>-Unorganised workers social Security Act, 2008 -- welfare scheme covering (a) life & disability cover (b) health & maternity benefits (c) old age protection</p>	(i) mfg	10.5	12.8	(ii) construction	3.1	10.6	Services	20.5	26.7		
(i) mfg	10.5	12.8											
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Services	20.5	26.7											
13. Write short notes on 'Skill India' and 'Make in India'. (10,2016)	Skill India and Make in India mission was launched for boosting manufacturing in India.	<p>Skill India</p> <p>Skill India is an initiative launched by the Government in 2015 to train over 40 crore Indians in different industry-related jobs. The vision is to create an empowered workforce by 2022 with the help of various schemes and training courses. The Pradhan Mantri Kaushal Vikas Yojana is deemed as Skill India's flagship skill development scheme. Under it training is provided to college/school dropouts and the unemployed.</p> <p>With proper skill development, the youth of India can access better-paying jobs and experience a higher standard of living. It will also help to generate high economic growth.</p> <p>Make in India</p> <p>Make in India scheme was launched in 2014 to boost the domestic manufacturing sector and also augment investment into the country. Through it Gol intends to encourage businesses from abroad into investing in the country. Long term vision of scheme is to convert India into global manufacturing hub.</p> <p>For the first time, the sectors of railways, insurance, defense, and medical devices have been opened up for more Foreign Direct Investment. There is an Investor Facilitation Cell that assists investors from the time of their arrival in India to their departure from the country. The government has taken steps to improve India's 'Ease of Doing Business' rank. India climbed 23 points in the Ease of Doing Business index to 77th place in 2019.</p> <p>With the success of Make in India and Skill India we can imagine India as a global manufacturing hub and leading exporter of manufactured goods.</p>											
14. Skill development and thereby raising labour productivity like that in China would be the only panacea for long term growth in Indian economy. Discuss. (10,2014)	-Global Competitiveness Index - has skill development sub-index	<p><u>Status of skills in India</u></p> <p>- India Skills Report - only 37% people employable</p> <p>- MoSDE assessed an incremental HR requirement across 24 sectors as 109.73 mn by 2022</p> <p><u>Comparison w/ China</u></p> <p><u>Challenges in India</u></p> <ul style="list-style-type: none"> - Inadequate scale, limited capacity - Awareness, mindset, perception challenges - Cost concerns - high capital requirements; low RoI; seen as non-scalable; - Underinvestment - Quality concerns - mismatch b/w industry skill demand, ss by vocational institutes - Mobility concerns - b/w formal edu & vocational training; preference for formal edu <p><u>Govt policies on skill development in India</u></p> <ul style="list-style-type: none"> - NSDC - NSQF - Skills Qualification Framework - PMKVY - DDU-GKY - Nai Manzil - for dropouts - USTTAD - traditional arts, handicrafts 	<p>CASE:</p> <p><u>Kaushal Vardhan</u></p> <p><u>Kendras in Guirat</u></p> <ul style="list-style-type: none"> - Decentralised, cluster based approach - WISH W: women oriented I: industry oriented S: soft skills, service sector oriented H: hard core traditional courses <p>➤ +Ve elements:</p> <ul style="list-style-type: none"> - Utilised existing infra & institutions 										

	<p>- Nai Roshni - leadership training - MANAS - minority youth entrepreneurship</p> <p><u>Significance of skill development</u> - Requirement of advanced, flexible, fungible skills in global economy - Right skills makes more productive, competitive workforce <ul style="list-style-type: none"> • -> economy grows faster, creates more & better jobs </p> <p>- Skills essential to reduce poverty and improve personal well being</p> <p><u>Global lessons of skill development</u> - Begin early + introduce literacy & soft skill development modules in school - Critical role of govt - Performance based financing of programs - Ensure employers play their critical role - Raise productivity of informal sector - Monitoring & evaluation plays an important role in design & delivery of skills programs</p> <p>Endogenous growth model suggest that for long run sustainable economic growth there is need to focus on human capital development. Without it growth process could be converging and stagnant. India is currently facing skill gap.</p> <p>India skill report suggests that only 48% of graduated students are employable. Unskilled population hindrance development of manufacturing industry. With the advent of fourth industrial revolution it might aggravate problems of unemployment and poverty.</p> <p>Skill development is an important driver to address poverty reduction by improving employability, productivity and helping sustainable enterprise development and inclusive growth. It facilitates a cycle of high productivity, increased employment opportunities, income growth and development.</p> <p>The increase in productivity could be due to availability of skilled & healthy manpower; technological up gradation and innovative practices. Thus India has to focus on these factors to ensure long term sustainable growth.</p>	<p>- Awareness - State funding w/ nominal fee of ₹50 from candidates ➤ Success - Reached 13 lakh people in 5 yrs; 60% women beneficiaries ; 63% - SC/ST/OBC</p>	
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[Top](#)

National, Per Capita Income

Question	Intro/ conclusion	Body	Data/ reports	Graphs	Misc - Linkage w/ Paper 1, etc
Patterns, Trends, Aggregate & Sectoral Composition and Changes Therein (Pie Charts)					
1. Examine the trends in GDP at factor cost during the pre-reform period in India. (10,2019)	<p><u>Intro</u> - Significant variation</p> <p><u>Conclusion</u> - Lower growth rate than potential in pre-reform period - Mainly due to incompatible institutions according to Daron Acemoglu -- inclusive politics + Extractive economics <ul style="list-style-type: none"> • Compromised fiscal prudence, yielded to populism + cronyism both </p> <p>- IG Patel - former CEA -- 'India's cardinal sin was trying to be self-reliant even in areas like machinery and capital goods and that too on the basis of imports under tied aid & a tech prescribed by donors. It was like injecting the virus at the very root, from which it would spread to all branches of the economy.'</p>	<p><u>1950-60</u> - Growth rate ~4% - Success of 1st and 2nd FYPs - Actual gr rate exceeded plan targets</p> <p><u>1960-70</u> - Growth rate ~3% - Dip due to Sino-Indian War (1962), India-Pakistan War (1965) - Resource diversion to war economy - Droughts in 1965-66 - 3 annual plans rolled out to deal w/ exigencies - Currency devaluation in 1966 -- thoda sa growth</p> <p><u>1970-80</u> - Increasing trend of growth rates - Increased govt expenditure during emergency - Gulf War (1973) -- rising oil prices -> growth suffered - Nationalisation move by govt -- restored growth - delinking from USD, linking with UK pound -- weak currency; rupee faced devaluation alongside -> export growth</p> <p><u>1980-90</u> - Growth exceeded 5% - Discovery of oil at Bombay High -- reduced outflow of forex - Subramaniam: gradual liberalisation through pro-business attitude change, reforms like MRTP relaxation, decrease in tax helped eco gr - Measures against tax evasion also generated revenues for govt interventions & developmental policies</p>			
2. <input type="checkbox"/> Discuss the changes in the sectoral composition of GDP in recent years. (15,2016)	<p><u>Intro</u> ---</p> <p><u>Conclusion</u></p>				

	<p><u>Conclusion</u></p> <p>—</p>																																				
<p>3. <input type="checkbox"/> It is often said that the prime generator of economic growth in India in the post liberalisation period has been the service sector. Do you agree? What has been its implication on the BoP in India? (20,2015)</p>	<p><u>Intro</u></p> <p>—</p> <p><u>Conclusion</u></p> <p>—</p>	<p>- India's policy of liberalization was aimed at increasing industrial growth. However industrial share in GDP remain stagnated at 28% while service sector share increased to 60% from 40%.</p> <p>Role of PSU decline after 1991. It reduced public sector share in the industries. However due to rigid labor laws, land acquisition laws, cost of tax compliance, low ease of doing business prevented growth of private sector in industry. Thus share of industries remain same in nation income.</p> <p>On other hand service sector is less labor and land intensive sector thus growth of this sector increased significantly (Reduces compliance cost for labor laws). At the same time USA was seeing boom in IT sector. Combine it with LPG reforms, service sector got opportunities to exploit its competitiveness to increase export.</p> <p>Thus it is often said that the prime generator of economic growth in India in the post-liberalisation period has been the service sector.</p> <p>Service Sector growth implication on balance of payment</p> <p>In 2015, India's service export was 156 billion dollar while import was 123 billion dollar. Thus it generated trade surplus of 33 billion dollar. India is lacking in merchandise export. On other hand it has import dependence for oil. Thus service sector along with capital inflow is helping to maintain BoP.</p>																																			
<p>4. <input type="checkbox"/> Accelerated growth of tertiary sector during the past two decades in Indian economy has posed multiple challenges. Discuss. (25,2013)</p>	<p><u>Intro</u></p> <p>—</p> <p><u>Conclusion</u></p> <p>—</p>																																				
<p>5. <input type="checkbox"/> "The declining share of commodity producing sectors — agriculture and industry — and rising share of Services sector is creating imbalances of far-reaching consequences in the economy." Critically analyse. (30,2011)</p>	<p><u>Intro</u></p> <p>—</p> <p><u>Conclusion</u></p> <p>—</p>																																				
<p>6. Reflect on issues and implications of structural transformation in India's income. (15,2018)</p>	<p><u>Intro</u></p> <p>- In 1950, India's national income was dominated by agriculture. Today there is structural transformation towards the service sector.</p> <p><u>Conclusion</u></p> <p>—</p>	<p><u>1950 – 1980</u></p> <p>- During 1950-1980 government focused on capital based industries</p> <p>- Large number of PSU's were set up for the industrialization of country.</p> <p>- It led to increased share of industry from 15% to around 28%.</p> <p>- On contrary agriculture share started falling and service sector share remained stagnant.</p> <p><u>1980 – 2010</u></p> <p>- After 1980 there were reforms for liberalization.</p> <p>- Role of PSU decline after 1991.</p> <p>- It reduced public sector share in the industries.</p> <p>- However due to rigid labor laws, land acquisition laws, cost of tax compliance, low ease of doing business prevented growth of private sector in industry.</p> <p>- Thus share of industries remain same in nation income.</p> <p>On other hand there was growth in service sector. Low land and labor requirement is given as one reason for this growth (Reduces compliance cost). Also after 1991 reforms, service sector got opportunities to exploit its competitiveness to increase export.</p> <p><u>Implication of structural transformation in India's national income</u></p> <p>- There was transformation of India's national income from agriculture to service sector.</p> <p>- But similar transformation was not seen in the India's employment share.</p> <p>- Still 50% works in the agriculture sector. This led to the jobless growth in India.</p> <p>- Also decrease in poverty, increase in inequality</p>																																			
		<table border="1"> <caption>Sector contribution to GDP (%)</caption> <thead> <tr> <th>Year</th> <th>Services (%)</th> <th>Industry (%)</th> <th>Agriculture (%)</th> </tr> </thead> <tbody> <tr> <td>1950</td> <td>30</td> <td>15</td> <td>50</td> </tr> <tr> <td>1960</td> <td>30</td> <td>20</td> <td>45</td> </tr> <tr> <td>1970</td> <td>35</td> <td>25</td> <td>35</td> </tr> <tr> <td>1980</td> <td>35</td> <td>25</td> <td>35</td> </tr> <tr> <td>1990</td> <td>40</td> <td>25</td> <td>30</td> </tr> <tr> <td>2000</td> <td>45</td> <td>25</td> <td>25</td> </tr> <tr> <td>2010</td> <td>59</td> <td>27</td> <td>14</td> </tr> </tbody> </table>	Year	Services (%)	Industry (%)	Agriculture (%)	1950	30	15	50	1960	30	20	45	1970	35	25	35	1980	35	25	35	1990	40	25	30	2000	45	25	25	2010	59	27	14			
Year	Services (%)	Industry (%)	Agriculture (%)																																		
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2000	45	25	25																																		
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<p>7. <input type="checkbox"/> Trace the growth of real per capita income in India in the pre-liberalisation period, keeping in view the interplay of increasing population and increasing real national income. (12,2012)</p>	<p><u>Intro</u></p> <p>—</p> <p><u>Conclusion</u></p> <p>—</p>																																				
<p>8. <input type="checkbox"/> While Indian economic growth in recent years is services-led growth and Chinese model is manufacturing led growth, show the implications of the two models for long term sustainable development. (10,2014)</p>	<p><u>Intro</u></p> <p>—</p> <p><u>Conclusion</u></p> <p>—</p>	<p>- Features of service led growth</p> <p>- Pros/ suitability in India</p> <p>- Cons</p> <p>- Features of Chinese mfg led growth</p> <p>- Pros/ strengths</p> <ul style="list-style-type: none"> • Base for mfg; base for exports; comparative advantage w/ cheap labour force; broad based distribution of gains arising from growth (faster increase in avg 																																			

		<p>broad based distribution of gains arising from growth (faster increase in avg life expectancy and improvement in other health, edu indicators)</p> <ul style="list-style-type: none"> - Cons <ul style="list-style-type: none"> • Pollution, envi degradation, labour exploitation, poor working conditions <p>- Overall implications for sustainable dypment</p> <p>India's policy of liberalization was aimed at increasing industrial growth. However manufacturing share in GDP remain stagnated at 16% while service sector share increased to 60% from 40%. On other hand China's share of manufacturing in GDP was highest. .</p> <p>Service sector is less labor intensive, thus with growth India is not seeing growth in the employment. This jobless growth is creating problems of inequalities and unequal distribution. It also weakens fight against poverty. On other hand China's manufacturing is labor intensive and was able to generate enough jobs.</p> <p>From the trade perspective, there is reluctance from world towards opening trade in service sector. Thus India is not able to exploit its trade potentials. Also over dependence on import for manufacturing goods can be problematic for economic sovereignty.</p> <p>Thus service led growth with stagnant manufacturing may not good for long term sustainability. India has to work towards increasing its manufacturing growth.</p>	
<p>9. <input type="checkbox"/> How did per capita income in India behave since Independence? Has it improved the well-being of the people uniformly? Give specific reasons. (15,2017)</p>	<p><u>Intro</u></p> <ul style="list-style-type: none"> - Per capita income measures avg income of people - Measured as GDP divided by population <p><u>Conclusion</u></p> <p>---</p>	<p>GDP per capita of India in 1990 International Dollars from 1820 to 2015</p> <p><u>1950-1980</u></p> <ul style="list-style-type: none"> - Despite having avg 4% growth -- per capita income growth rate at only 1.4% - High population growth rate during this period - Closed to world avg; paled w/ comparison to similarly placed ASEAN countries <p><u>1980-1990</u></p> <ul style="list-style-type: none"> - Population growth rate stabilised at the same time reforms led to increased growth rate - Thus per capita income gr increased from 1.4% to 3.6% <p><u>1990-2010</u></p> <ul style="list-style-type: none"> - Population growth almost constant in post-liberalisation period - Same time LPG reforms increased GDP gr rate significantly - Led to increase in GNI per capita by 2.25 times <p>Uniformity of welfare</p> <ul style="list-style-type: none"> - Decrease in poverty levels with increase in per capita income - At independence -- more than 60% incidence of poverty <ul style="list-style-type: none"> • Reduced to 45% in 1991; 29% in 2011 - Inequality also increased - Himanshu (2012) - Gini coefficient increased significantly after LPG reforms - Per capita income distribution is not uniform distributed and has not improved the well-being of the people uniformly 	
<p>10. Highlight the structural changes in Indian economy before 1991. (15,2014)</p>	<p><u>Intro</u></p> <ul style="list-style-type: none"> - Structural changes in economy before 1991 can be analysed in three phases. First phase between 1951 to 1965. Second phase between 1965 to 1980 and last phase between 1980 and 1990 <p><u>Conclusion</u></p> <ul style="list-style-type: none"> - India's growth rate in pre reform period was low compared to its potential. Low growth can be contributed to excessive regulation, anti business environment and licence raj. 	<p><u>1951 – 1965</u></p> <ul style="list-style-type: none"> - After independence India adapted strategy of planned economy. During this period focus was on setting up capital industries. PSU were given role of commanding heights. In this period agricultural share goes down and capital industries share increased in GDP. <p><u>1965-1980</u></p> <ul style="list-style-type: none"> - This phase is known for inward orientation and industrial stagnation. During this period India realized importance of agriculture. Policy of green revolution was launched during this period. It made India self sufficient. - However policies like MRTP, FERA, reservation for small scale industries, etc created inefficiencies. It stagnated industrial growth. This led to stagnation in GDP growth rate at 3.5%. <p><u>1980-1990</u></p> <ul style="list-style-type: none"> - During this period growth started exceeding 5% mark. According to Subramaniam pro business attitude change and reforms like MRTP relaxation, decrease in tax law helped economy to grow. Panagaria called it most significant structural change. 	
<p>Broad Factors Determining National Income and Distribution/ Development Concerns</p>			
<p>1. <input type="checkbox"/> Explain the major factors that affected the growth rate of the economy in post-independence India till 1991. (20,2015)</p>	<p><u>Intro</u></p> <p>---</p> <p><u>Conclusion</u></p> <p>---</p>		
<p>2. <input type="checkbox"/> What are the factors which determine the size and composition of national income? In this respect contrast the scenarios between pre and post liberalization periods. (30,2012)</p>	<p><u>Intro</u></p> <p>---</p> <p><u>Conclusion</u></p> <p>---</p>		
<p>3. <input type="checkbox"/> Transformation of rural sector is key to economic development as it sustains two-thirds of Indian population. How</p>	<p><u>Intro</u></p> <p>---</p> <p><u>Conclusion</u></p>		

physical connectivity, electronic connectivity and knowledge connectivity may be helpful in this transformation? Explain the linkages. (25,2013)	- ____				
4. <input type="checkbox"/> Throw light on the PURA model of rural development. (15,2011)	<u>Intro</u> - ____ <u>Conclusion</u> - ____				
5. <input type="checkbox"/> Vitalisation of rural economy is key to 'inclusive growth' which is possible through strategic management and technological upgradation. Explain. (15,2014)	<u>Intro</u> - India's 65% population lives in rural area. India's 50% workforce is dependent on agriculture. Agriculture is dominantly rural occupation thus vitalization of rural economy is key to inclusive growth. <u>Conclusion</u> - Thus vitalization of rural economy is key to 'inclusive growth' which is possible through 'strategic management' and technological up gradation.	- Vitalisation of rural economy <u>Strategic Management</u> - Strategic management involves setting objectives, analyzing the competitive environment, evaluating strategies, and ensuring that government rolls out the strategies. - Agriculture is strength of rural area. - Government can set objectives of all round development around agriculture. - It can focus on creating complete environment for the growth of agriculture and allied industries, government can focus on development of rural infrastructure. <u>Technological up gradation</u> - Access to internet in rural area will help in improvement of education. - It also opens jobs opportunities in digital sector. - Technological upgradation in agriculture sector improves productivity. - Technology of food processing, storage, food transports adds value to the agricultural production. - Rural area is dominated by MSMEs. - Technological upgradation in MSMEs improves their profitability and thus employment opportunities. - Technological upgradation of infrastructure reduces logistic cost. - It will help to attract investment in rural area.			
6. <input type="checkbox"/> What were the major hurdles to development as experienced in India during first decade after independence? Discuss them and what steps were taken to remove them? (15,2016)	<u>Intro</u> - ____ <u>Conclusion</u> - ____	Major hurdles to development as experienced in India during first decade after independence - At the time of Independence, the incidence of poverty in India was about 80% or about 250 million. - Famines and hunger pushed India to take external help for its food security. - India's agricultural growth rate was just around 0.3%. It was very difficult to provide adequate food to people. - There was vicious cycle of poverty. Poverty led to low saving (3% of GDP) and low saving led to low growth rate. - Capital industry in India was almost absent while consumer industry was dominated by textile. - Social indicators were performing very badly. Life expectancy was low, IMR, MMR was high, literacy was just 12%. - Banking sector was weak and dominated in urban area. Rural area was dependent on money lenders. - India had to face partition and war. It ate sufficient expenditure. Looking at all these factors government has to step in as private sector alone might not have been able to push development. Thus government went ahead with planning strategy. First two five year plans were quite successful in achieving its target. It gave India base of capital industry on which India's development process could have depend.			
7. <input type="checkbox"/> 'The dichotomy of development' in India emerged owing to 'governance deficit' and 'crony capitalism.' Examine. (20,2015)	<u>Intro</u> - ____ <u>Conclusion</u> - ____				
8. In Indian economy, dichotomy of development emerged during the pre-reform period despite efforts of holistic development. Delineate the factors responsible for it. (15,2014)	<u>Intro</u> - ____ <u>Conclusion</u> - ____	- Dichotomy of development - Holistic development aspects - Factors 1980s is often cited as that breaking point when India made a transition from an economic laggard to one of the fastest growing nations of the world. Any increase in our GDP and per capita income is supposed to imply an increase in our living standards. However growth has not equated to human development and thus increased living standards. Even though the growth rate of our per capita income rose from 1.7% in 1950-1980 period to an average of 4% thereafter, the core human development parameters continued to be dismal. This is reflected by the fact that India's relative rank in human development among 177 countries has risen by only two positions from 128 in 1999 to 126 in 2004. Education, health and security continued to be ignored which led to poor development. Amartya Sen emphasized, while the case of economic reforms of 1980s and 1991 correctly diagnosed too much governance in some sectors of the economy, it ignored the fact that India had too less governance in other fields like education, healthcare, social security, and land reforms. This led to dichotomy of growth and development.			
9. <input type="checkbox"/> Do you think Gandhian vision of development is still relevant in India? Explain with reasons. (15,2014)	<u>Intro</u> - ____ <u>Conclusion</u> - ____	Gandhian vision of development was based on decentralization development by empowering local self governments at grass root level. Socialism is another basic philosophical entity of Gandhianism. Although Gandhian view of socialism is not radical in its approach but it aspires for a classless society with no poverty, no hunger, no unemployment and education and health for all. Gandhi aims at what we may call sustainable development. Thus his ideas are still relevant in today's India. His emphasis on decentralization development is still relevant. Its success can be seen in the form of MGNREGA and community led development. His vision to make cottage industries as engine of growth can be way towards Atmanirbhar Bharat. His views on school are very relevant in today's world. Naya Talim school system gives practical education to children. Its modified version can help to fulfill dream of skill India.			

		<p>Development should be targeted to eradicate poverty, hunger, unemployment. It should provide health and education to all. These are exactly objectives of many government schemes.</p> <p>His ideas may not be adapted as it is. His opposition to mechanization can be counter productive in today's world. But basic philosophy of Gandhian development can still be guiding light for India's development process.</p>																																				
10. <input type="checkbox"/> Elaborate upon Gandhian versus Nehruvian visions of India's development. Do you think Gandhian approach is again attracting scholars and the people? Give reasons. (30,2011)	<p><u>Intro</u></p> <p>—</p> <p><u>Conclusion</u></p> <p>—</p>																																					
11. Specify the main factors which hindered trickle-down in Indian economy and agenda of 'inclusive growth' is being pressed into for economic justice. (10,2014)	<p><u>Intro</u></p> <p>- The trickle-down theory, argues that growth would lead to more jobs, more output, more income and less poverty as the growth and higher incomes at the top end will move at the lower end and to the poor.</p> <p><u>Conclusion</u></p> <p>—</p>	<p><u>Factors which hindered trickle down in Indian economy</u></p> <p>- Indian economic development in earlier year has given less importance to the agriculture and consumer goods and gave more importance to capital good manufacturing. Capital good manufacturing are labor intensive and high gestation period thus it does not benefitted poor.</p> <p>- After 1980 service sector grow faster than agriculture and manufacturing. Service sector is less employment elastic than the manufacturing or agricultural sector. Thus it led to jobless growth. Jobless growth is major reason for slow trickle down.</p> <p>- India before 1991 saw crony socialism and later after reforms it was converted to crony capitalism. It benefitted rich and excluded poor. At the same time there was little public investment on education and health. It limited capability development of poor. This factors together lead to slow and incomplete trickle down in the Indian economy.</p>																																				
12. <input type="checkbox"/> Compare the strategies of trickle-down growth with inclusive growth. Why should the strategy of inclusive growth be preferred? (20,2012)	<p><u>Intro</u></p> <p>—</p> <p><u>Conclusion</u></p> <p>—</p>																																					
Poverty, Measures, Trends in Poverty,																																						
1. 'While absolute poverty declined over the decades, the poverty gap between <u>different social groups</u> shows rising trend in India'. Discuss. (15,2020)	<p><u>Intro:</u></p> <p>- Define absolute poverty</p> <p>- Poverty gap</p> <p><u>Conclusion:</u></p> <p>—</p>	<p><u>Decline in absolute poverty</u></p> <table border="1"> <tr> <td>1975</td> <td>1991</td> <td>2011</td> </tr> <tr> <td>55%</td> <td>45%</td> <td>21%</td> </tr> </table> <p><u>Poverty gap among social groups</u></p> <p>- Gini Coefficient increase ()</p> <p>- Share of top 1% of population in national income</p> <table border="1"> <tr> <td>1950</td> <td>1970</td> <td>2021</td> </tr> <tr> <td>10%</td> <td>4%</td> <td>13%</td> </tr> </table> <p>- Jobless growth, lower investment in social sector, crony capitalism</p> <p>- Urban poverty</p> <table border="1"> <tr> <td>1975</td> <td>1993</td> <td></td> </tr> <tr> <td>50%</td> <td>32%</td> <td></td> </tr> </table> <p>- Rural poverty</p> <table border="1"> <tr> <td>1975</td> <td>1993</td> <td></td> </tr> <tr> <td>55%</td> <td>45%</td> <td></td> </tr> </table> <p>- Urban vs rural -- due to circular causation (Myrdal) + spread effect + backwash effect</p> <p>- Interstate disparities</p> <ul style="list-style-type: none"> • Avg income of Bihar -- lowest • Avg income of Goa -- 10x of Bihar • Avg income of Maha, K'taka -- 4.7x of Bihar <p>- Tribals</p> <ul style="list-style-type: none"> • — <p>- Women</p> <ul style="list-style-type: none"> • Declining LFPR since 2008 <table border="1"> <tr> <td></td> <td>2007</td> <td>2018</td> </tr> <tr> <td>Urban</td> <td>34%</td> <td>21%</td> </tr> <tr> <td>Rural</td> <td>—</td> <td>29%</td> </tr> </table> <ul style="list-style-type: none"> • Patriarchal nature of society, wage gap <p>- SC/ ST</p> <ul style="list-style-type: none"> • — <p>- LGBTQ</p> <p>- Old people</p> <p>- Minorities</p>	1975	1991	2011	55%	45%	21%	1950	1970	2021	10%	4%	13%	1975	1993		50%	32%		1975	1993		55%	45%			2007	2018	Urban	34%	21%	Rural	—	29%			
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		<p>- Himanshu (2012) has questioned the comparability of the 2004-05 and 2009-10 consumer expenditure surveys on the grounds that 2009-10 consumption schedules included expenditure of the government on the Mid-Day Meal Scheme (MDMS) as a part of household expenditure – this item of expenditure was not included in the previous quinquennial surveys.</p> <p><input type="checkbox"/> - (poverty measures from Gaurav)</p>																																				
2. How are 'absolute' and 'relative' poverty measured? What modification in it has been suggested by Amartya Sen? What are the recent advances in the area of poverty measurement? Discuss. (25,2013)	<p><u>Intro:</u></p> <p>—</p> <p><u>Conclusion:</u></p> <p>—</p>	<p>- Absolute poverty:</p> <ul style="list-style-type: none"> • (given below) <p>- Relative poverty:</p> <ul style="list-style-type: none"> • (given below) <p>- Modification by Sen:</p> <ul style="list-style-type: none"> • Introduced <u>Capability Approach</u> • 2 core concepts -- 'functioning' & 'capability' <ul style="list-style-type: none"> ◦ Functioning -- states of being & doing -- well-nourished, having shelter; Distinguished from the commodities employed to achieve them ◦ Capability -- set of valuable functionings that a person has effective access to; represents effective freedom of an individual to choose b/w diff functioning combinations • Global-local character <ul style="list-style-type: none"> ◦ Defn abstracts from particular circumstances 																																				

		<ul style="list-style-type: none"> o Realisation depends on specific local requirements (eg being relatively poor in a wealthy society can entail abs poverty in some imp capabilities -- b'cos they may require more resources to achieve • Many capabilities have underlying requirements strongly varying w/ social circumstances, cultural norms etc • <u>Application</u> <ul style="list-style-type: none"> o Can direct political and public attention to neglected dimensions of human well-being o Multidimensional approach helps bring out surprising shortfalls in particular capabilities under an 'all-things-considered' approach -- eg. A sporting icon who can't read o Eg dramatically diff levels of agg achievement among ctries w/ similar wealth <ul style="list-style-type: none"> ▪ CASE: Philippines vs S Africa -- doing more w/ less <table border="1" data-bbox="730 389 1059 501"> <tr> <td></td> <td>Philippines</td> <td>S Africa</td> </tr> <tr> <td>Per capita GNP (ppp)</td> <td>\$4000</td> <td>\$9800</td> </tr> <tr> <td>Life expectancy (years)</td> <td>72.3</td> <td>52</td> </tr> <tr> <td>Mean yrs of schooling</td> <td>8.7</td> <td>8.2</td> </tr> </table> <ul style="list-style-type: none"> • <u>Drawback:</u> <ul style="list-style-type: none"> o Leaves open whether 'expensive' capabilities if considered imp enough to be guaranteed by society as a matter of justice (eg freedom of movement vs purdah in Saudi Arabia) should be met by making more resources available to those in need (subsidised cars & chauffeurs) or by revising relevant social norms o Only identifies capability failures, diagnoses causes o 'all things considered' judgements may <p>- Recent advances in area of poverty measurement:</p> <ul style="list-style-type: none"> • Poverty gap ratio & squared poverty gap ratio • Foster-Greer-Thorbeck Methods • Sen's Index = $H \times (R + (1-R) GP)$ <ul style="list-style-type: none"> o H - head count ratio o R - poverty gap ratio o GP - Gini coefficient for consumption among the poor 		Philippines	S Africa	Per capita GNP (ppp)	\$4000	\$9800	Life expectancy (years)	72.3	52	Mean yrs of schooling	8.7	8.2	
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Per capita GNP (ppp)	\$4000	\$9800													
Life expectancy (years)	72.3	52													
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<p>3. How is development looked upon by A. K. Sen in terms of freedom and poverty as unfreedoms? Point out his narration of five dimensions of poverty. (10,2013)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - 1999 book 'Development as Freedoms' by Nobel Laureate Amartya Sen - Kofi Annan: world's poor & dispossessed could have no more articulate or insightful a champion than Amartya Sen <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - 	<p><u>Development as Freedom</u></p> <ul style="list-style-type: none"> - Freedom is both the primary end and the principal means of development - 2 reasons why freedom should be the primary element <ul style="list-style-type: none"> • Only acceptable evaluation of human progress is primarily and ultimately enhancement of freedom • Achievement of dypment is dependent on free agency of people - Freedom is a principal determinant of individual initiative and social effectiveness; it is good primarily because it enhances ability of individuals to help themselves -- <u>'agency aspect'</u> of individuals - Argues against Lee Thesis by Prez Lee Kuan Yew (Singapore) -- denying political and civil rights is acceptable if it promotes economic development and the general wealth of the population. <p><u>5 freedoms (STEPS)</u></p> <table border="1" data-bbox="616 1144 1198 1193"> <tr> <td>Political freedoms</td> <td>Economic facilities</td> <td>Social opportunities</td> <td>Transparency guarantees</td> <td>Protective security</td> </tr> </table> <p><u>Poverty as unfreedoms</u></p> <ul style="list-style-type: none"> - Discuss how poverty negative affects each of the above <p><u>Limitations of Development as Freedom Approach of Sen (by O'Hearn)</u></p> <ul style="list-style-type: none"> - Individualism <ul style="list-style-type: none"> • Sen's bases are - Aristotle (flourishing, capacity), Montesquie & JS Mill (interest as a bulwark against despotism), Hayek (championed liberties & freedoms as a foundation of economic progress) - Champions capitalism with good values (transparency, etc) -- but no theory regarding origin of these ethical values - Microeconomic foundations to exclusion of macroeconomics <ul style="list-style-type: none"> • 'entitlement' & 'capability' generalised from microeco by adding problems of non-market-related entitlements - Localism <ul style="list-style-type: none"> • Absence of theory of global capitalism -- ignores issues of unequal trade, disadvantageous int'l divisions of labour, exercise of global power, behaviour of Int'l Financial Institutions • Fails to consider that even best of pluralist parliaments face world economic processes and powers over which they have little or no control (but emphasises consistently on individual capabilities and enabler govt as determining all economic consequences) - Lack of historical understanding <ul style="list-style-type: none"> • Profoundly neutral wrt both underlying social relns & historical specificity of unequal entitlements 	Political freedoms	Economic facilities	Social opportunities	Transparency guarantees	Protective security								
Political freedoms	Economic facilities	Social opportunities	Transparency guarantees	Protective security											
<p>4. Discuss Amartya Sen's poverty measure and recent advances in poverty measurement. (15,2011)</p>		<p>(subset of Q2 above)</p>													
<p>5. How is the methodology followed by the Rangarajan Committee different from that of the Tendulkar Committee in measuring poverty in India? (10,2019)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - Tendulkar Committee constituted in 2004 to update poverty estimation methodology; estimated halving of BPL popn from 45% to 22% b/w 1991 and 2004 - Rangarajan Committee constituted in 2011 to verify this <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - Use of broader criteria under Rangarajan led to higher poverty estimates -- 29% vs 22% 	<p><u>Differences in both approaches</u></p> <ul style="list-style-type: none"> - T: did away w/ calorie criteria R: reintroduced calorie criteria - T: estimated poverty using basic requirement of the poor - housing, clothing, shelter, education, sanitation, travel expenses, health R: also included calorie, proteins, fats in addn to above - T: suggested uniform poverty line across rural, urban area R: separate poverty lines for rural, urban areas <p><u>Tendulkar Committee 2009</u></p> <ul style="list-style-type: none"> - Features <ul style="list-style-type: none"> • Change in Poverty Line Basket -- uses 2004-05 as base year for basket (vs Alagh & Lakdawala use 1973-74 basket) • State level poverty lines derived based on state price indices • Delinks poverty line from calorie intake • Continuity w/ earlier urban poverty line -- chose basket that kept urban 													

		<p>poverty level constant and just converted it from URP (Uniform Ref Pd) to MRP (Mixed Ref Pd) approach</p> <ul style="list-style-type: none"> • Urban basket used for both urban & rural areas; former assumed to be superior to latter • Updating poverty line -- based on unit prices calculated from NSSO database <p>- Issues</p> <ul style="list-style-type: none"> • Top down approach - must have used state wise rural, urban poverty lines rather than state price index; diff regional consumption patterns • NSSO Methodology -- changes w/ each survey -- not comparable • Issues w/ accounting for state assistance -- low expenditure reqd for people w/ subsidised food; harsh on those excluded • Overestimates rural poverty -- use of urban basket => more expensive to get urban basket in rural areas • FAO argument -- line corresponds to 1776 kcal (urban), 1900 kcal (rural) -- higher than 1770 kcal by FAO -- <ul style="list-style-type: none"> ◦ BUT FAO norms correspond to sedentary work for 50 kg weight (men), 45 kg (women) --- sedentary vs moderate - ~500kcal; moderate vs heavy ~700 kcal => Tendulkar assumes poor people only need to do office work, not lift loads <p><u>Bangarajan Committee 2014</u></p> <p>- Features</p> <ul style="list-style-type: none"> • MMRP (Modified MRP) based consumption expenditure NSSO data • PLB = avg per capita consumption expenditure on <ul style="list-style-type: none"> ◦ (i) food in fractal class corresponding to nutrition norm ◦ (ii) normative expenditure for essential non-food item groups (edu, clothing, conveyance, house rent) in median group ◦ (iii) residual set of behaviourally determined non-food expenditure corresponding to nutrition norm • Food components -- based on ICMR norms +/- 10% range -- lower levels -- min norm • Defined separate rural & urban PLBs <ul style="list-style-type: none"> ◦ Located fractal group that meets nutrition norms for both rural, urban areas ◦ Behaviour determined non-food components taken for this grp to separate the 2 PLBs • Poverty lines -- MPCE of ₹972 (rural), ₹1407 (urban) • Updating -- use of prices from NSSO data for food components; CPI for non-food components <p>- Issues</p> <ul style="list-style-type: none"> • Higher urban poverty than rural for 13/28 states <ul style="list-style-type: none"> ◦ Higher share of house rents, conveyance charges ◦ Greater share of non-food items total poverty line (53% urban, 43% rural) <p><u>General issue w/ ALL poverty estimates in India</u></p> <ul style="list-style-type: none"> - Calorie requirements do not correlate perfectly w/ nutrition levels -- micronutrients, other requirements - PLBs must vary across states -- expenditure, consumption patterns vary - Srinivasan, 2007 -- PLBs should be socially determined; exclude the bundle that has been subsidised - Subramaniam, 2014 -- varying PLBs not fixed; currently only adjustment through price index - NSS-NAS consumption diff -- diverging -- 1970 (10%) to 2010 (50%) - Need for Multidimensional measure of poverty based on capabilities approach 											
<p>6. Explain how multidimensional poverty index is calculated. (10,2018)</p>	<p><u>Intro:</u></p> <ul style="list-style-type: none"> - MDPI released by UNDP & OPHI - Grounded in <u>Amartya Sen's capability approach</u> - Product of incidence of poverty & intensity of poverty <p><u>Conclusion:</u></p> <ul style="list-style-type: none"> - NITI Aayog plans to leverage Global MPI monitoring mechanism as part of GIRG Global Indices to Drive Reforms and Growth exercise of Gol 	<p><u>Methodology of MDPI</u></p> <ul style="list-style-type: none"> - Deprivations across 10 indicators in 3 equally weighted dimensions - Health (1/3) <table border="1" data-bbox="655 1317 842 1346"> <tr> <td>Nutrition</td> <td>Child mortality</td> </tr> </table> - Education (1/3) <table border="1" data-bbox="655 1368 935 1397"> <tr> <td>Years of schooling</td> <td>School attendance</td> </tr> </table> - Living standards (1/3) <table border="1" data-bbox="655 1420 919 1480"> <tr> <td>Cooking fuel</td> <td>Housing</td> <td>Sanitation</td> </tr> <tr> <td>Drinking water</td> <td>Assets</td> <td>Electricity</td> </tr> </table> - Measures multiple dimensions of poverty for the same household - 0% - absolute deprivation in that dimension - 100% - no deprivation in that dimension - Hhs scoring <=33% are categorised as multidimensionally poor - MDPI = H x A <ul style="list-style-type: none"> • H - incidence of poverty -- % of people who are MPI poor • A - avg intensity of MPI poverty across the poor <p><u>Better than other models</u></p> <ul style="list-style-type: none"> - Multidimensional approach - Better comparison - Complement to income based poverty measures <p><u>Limitations</u></p> <ul style="list-style-type: none"> - Less sensitive to minor inaccuracies - Unable to capture inequality esp among poor - Unable to capture intra-hh inequalities (b'cos no individual data on each indicator) - Unavailability of data - Based on publicly available data --> challenges wrt comparability over space & time 	Nutrition	Child mortality	Years of schooling	School attendance	Cooking fuel	Housing	Sanitation	Drinking water	Assets	Electricity	
Nutrition	Child mortality												
Years of schooling	School attendance												
Cooking fuel	Housing	Sanitation											
Drinking water	Assets	Electricity											
<p>National Multidimensional Poverty Index</p>	<ul style="list-style-type: none"> - By NITI Aayog - Part of GIRG Exercise - Global Indices to Drive Reforms & Growth - Based on NFHS Data globally estd practice to use DHS Demographic & Health Surveys -- our DHS is NFHS - Pros: cross-country comparison; collects data across all dimensions critical to computation of MPI; 	<p><u>Methodology</u></p> <ul style="list-style-type: none"> - Based on Alkire-Foster Methodology -- dual-cut-off method <ul style="list-style-type: none"> • 1st order cut-off - for each component indicator -- to determine whether a person is 'deprived' on the given indicator • 2nd order cut-off - to identify multidimensionally poor individuals • -- extension of FGT Foster-Greer-Thorbecke class of poverty measures - Benefits of AF method <ul style="list-style-type: none"> • Dimensional monotonicity • Subgroup decomposability • Scale invariance + replication invariance • Poverty & deprivation focus • Symmetry 											

Way Forward

- Subsequent **NFHS to be conducted once in 3 yrs** -- increased frequency, reduced lags (presently every 5 yrs)
- Reform Action Plan for states/ UT
 - Focused govt action to fill gaps
 - Map govt schemes, policies having direct bearing on MPI indicators + identify indicators under each
 - Eg. 'nutrition' indicator in RAP includes 'propn of Anganwadi centres having weighing scales' - mapped to ICDS scheme
- Progress Dashboard
 - By DMEO Dvpmnt Monitoring & Evaluation Office (attached to NITI)
 - Does NOT monitor outcomes directly
- Technical support to states
 - For disaggregated, frequent MPI
 - Improve state capacity in poverty estimation, monitoring, reduction
- State-specific MPI reports

Conclusion

- The utility, relevance and acceptability of a national MPI as a powerful policy tool for fast tracking development and leaving no one behind at the national and local levels, will eventually shape the discourse on developmental policy in the coming days in the country as much as in the global arena.

- Captures degree of poverty + composition + distribution
- Can utilise ordinal, binary data --> adaptable
- Steps in computing the MPI
 - Identification
 - Identification of indicators; set deprivation cut-offs for each indicator; apply 1st order cut-off; select weights to be applied to each indicator; calculate weighted sum of deprivations (deprivation score); apply 2nd order cut-off = 33.33 in MDPI
 - Aggregation
 - **Incidence:** Headcount ratio - proportion identified as multidimensionally poor
 - **Intensity:** avg share of wgt'd indicators in which MPI are deprived (=sum of deprivation scores of MPI/ no. Of MPI)
 - MPI score = incidence x intensity
 - Censored vs uncensored HCR
 - Uncensored -- proportion of individuals who are deprived in an indicator **j**, irresp of whether they are multidimensionally poor or not
 - Censored -- proportion of individuals who are multidimensionally poor **and** deprived in an indicator **j**

Indicators in national MPI

- 12 indicators under 3 dimensions (same as MDPI)
- Each dimension weighted equally - 1/3
- Health (1/3) -- 3

Nutrition (1/6)	Child & adolescent mortality (1/12)	Antenatal care (1/12)
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- Diff from MDPI -- adolescent mortality; antenatal care
- (+) lifecycle approach for health
- (-) reduced weightage for child mortality
- (+) Inclusion of adolescent mortality -- to account for deprivation of positive externalities (eg death of a 10yr old school going kid => deprived of only member who has attained 6 yrs of edu; 17yr old -> only earning member of hh)
- Antenatal care -- >=4 antenatal care visits + assisted by skilled personnel during childbirth
- (UNICEF, WHO, WB, UN 2019) -- out of all globally reported child deaths, 2.5 mn w/in first month of life; 2 mn were stillbirths

- Education

Years of schooling (1/6)	School attendance (1/6)
--------------------------	-------------------------

- Exactly same as MDPI

- Standard of living

Cooking fuel	Sanitation	Drinking water
Electricity	Housing	Assets
Bank account		

- Diff from MDPI - bank account -- financial inclusion measure
- Bank account -- inspired by Rwanda & Sierra Leone; Rwanda includes it under '**Social Services & Economic Inequality**' dimension

Why incidence & intensity both?

- For **dimensional monotonicity**
- **Responsive** measure -- improves both when absolute no. Of individuals in poverty decreases as well as when severity of poverty experienced by a multi-dimensionally poor individual decreases

Benefits

- Sensitisation of govt, researches, civil society, citizens, other stakeholders
- National level: Input to design of dvpment policies, budget allocations, target setting
- District level: decide priority of execution, delivery
- Revision --> redesign actions to shift focus acc to need

7. Throw light on the poverty debate in the pre-liberalisation era in India. (15,2018)

Intro:

-

Conclusion:

-

Over the last 60 years, in both development theory and policy discussions, there has been much debate about the poverty impacts of economic growth and structural transformation in developing countries.

India's post-independence planners hoped that the country's urban-centred industrialisation process would bring longer-term gains to poor people, including through rural labour absorption. However, that hope was largely shattered by the evidence of the slow pace of poverty reduction in the period from Independence until the 1980s.

According to Bhagwati, slow pace of labour absorption from agriculture associated with the more inward-looking and capital-intensive development led to slow pace of poverty reduction.

Many observers came to the view that too little growth was the reason for India's slow pace of poverty reduction. Sectoral growth also played important role here. **Agricultural growth is usually more poverty reducing than industrial growth**. However in India agricultural growth was at slow pace and thus slow pace of poverty reduction

8. Critically examine the difference between absolute poverty and relative poverty. Between the two, which is more appropriate? Give reasons. (20,2016)

Intro:

-

Conclusion:

- To solve this issue -- **Copenhagen 1995 World Summit on Social Development**, int'l community adopted and endorsed a multidimensional definition of poverty.

Absolute poverty

- What?:

- condition where hh income is below the level req'd to maintain basic living stds (food, shelter, housing).
- Eg. World Bank - \$1.25/ day

- Pros:

- Signifies changes in std of living
- Allows for inter-country comparisons
- Allows temporal comparisons

- Cons:

- Even absolute poverty defined in relative terms
- Adam Smith: minimum publicly perceived acceptable level of 'necessities', even for the 'poorest creditable person' must tend to vary & change

Relative poverty

- What?:

- condition where hh income is a certain % below **median incomes**
- EU - 60% of median income

- OECD - 50% of median income

- Pros:

- Measures differences in std of living
- Measure of inequality

- Cons:

- Fails to capture **Rowntree's Secondary Poverty**

Relative vs absolute -- why?

- Neither sufficient on it's own; both complementary

- Case 1: in a country, everyone in absolute poverty but complete equality of incomes -- 0 relative poverty

- Case 2: no one absolutely poor but highly unequal society

- In a richer country, even people not absolutely poor feel relatively poor due to inequality because more resources reqd to attain similar levels of actual comfort here (higher fees for edu, greater competition for employment, etc)

Sen's axioms for Poverty measures

- **Focus:** poverty index depends ONLY on the incomes of the poor

- **Monotonicity:** reduction in income of a poor person must worsen the index (i.e. Increase the value)

- **Impartiality axiom:** should be same for any given ordered set of income; should NOT depend on who is earning what

- **WTA** - Weak Transfer Axiom: redistribution from a person below the poverty line to someone better off (either above/ below PL), leaving the no. Of persons below the poverty line unchanged, must increase the index (i.e. Worsen it)

- **Strong Upward Transfer Axiom:** index should increase if income is transferred from a poor person to less poor

- **Continuity axiom:** must vary continuously w/ income (no sharp discontinuities)

- **Replication invariance axiom:** index should NOT change if it is computed based on an income distn that is generated by the k-fold replication of original income distn (i.e. Cloning of entire population)

9. Discuss the various measures of poverty with policy implications for removal of poverty. (20,2012)

Intro:

- Concept of poverty may vary from extreme want of necessities resulting in debility to falling short of having comfortable means

Conclusion:

-

- Head count ratio = $H = M/N$

- Violates monotonicity, WTA both
- Measures depth, ignores depth of poverty
- Insensitive to intensity
- Encourages policies directed at those just below poverty line; even if they make the poorer persons worse off

- Poverty gap ratio = $R = (Z-X)/Z$

- Squared poverty gap --

- Also captures consumption distribution of poor; measured by coefficient of variation

- Poverty gap index = $HxR = \text{head count} \times \text{poverty gap ratio}$

- Measures 'depth' of poverty
- Violates WTA; satisfies monotonicity
- Does account for how much resources will be reqd to pull all above the poverty line -- i.e. Eliminate absolute poverty
- Doesn't account for inequalities among the poor or change in trends thereof

- Foster-Greer-Thorbecke Index = $Hx(R^2 + (1-R^2) \times CVP)$ (CVP = coeff of variation of consumption among poor)

- Satisfies all - focus, monotonicity, WTA
- Measures 'severity' of poverty
- Accounts also for inequality among poor
- Advocates extra focus on those farther away from the poverty line rather than low hanging fruits of lifting up those close to the poverty line

- Sen Index = $Hx(R + (1-R)GP)$ (GP = gini among poor)

- Same as above

- Benefits of sensitivity to intensity of poverty

- Analyse discrepancy b/w struct of min wages, poverty lines
- Determine with fair precision society's acceptable level of 'subsistence'
- Investigate linkages w/ other correlates of poverty -- low calorie intake -> low physical strength + insufficient mental dypment -> poor education, low trainability etc

Paper 1 Questions

1. How is Human Development Index calculated by UNDP? Can there be a **better method** of assigning weights to various indicators? (10, 2019)

Intro:

- Based on **Amartya Sen's** Capability Approach & **Mahbub ul Haq's** work on the same

- India -- rank 131/ 189 (2018)

Conclusion:

-

Calculation methodology

- 3 broad dimensions

Dimension	Indicators	Dimension Index
Long and healthy life	Life expectancy at birth	Health Index (H)
Knowledge	- Expected years of schooling	Education Index (E)
	- Means years of schooling	
Decent standard of living	GNI per capita (PPP\$)	Income Index (I)

- Goalposts for HDI

Dimension	Observed max	Observed min
Life expectancy at birth (years)	83.5	20
Mean years of schooling	13.1 (15 for 2025)	0
Expected years of schooling	18	0
Per capita income (PPP US \$)	75,000	100

- Performance in an indicator: measured by dimension index --

- = (Actual value - min value)/ (max value - min value)

- Education index = (expected yrs of schooling index + mean yrs of schooling index)/ 2

= AM

- Income index -- log value of income used instead of absolute value

- Final HDI

- GM of three indicators above
- $HDI = (E \times I \times H)^{(1/3)}$

Alternative ways of assigning weights

- In present method -- all indicators weighed equally

		<p>- Unequal weights could be assigned based on relative importance of indicator in human development</p> <p>- Inequality adjusted HDI (IHDI) - the IHDI is distribution-sensitive average level of HD. Two countries with different distributions of achievements can have the same average HDI value. Under perfect equality the IHDI is equal to the HDI, but falls below the HDI when inequality rises. The difference between the IHDI and HDI is the human development cost of inequality, also termed – the loss to human development due to inequality. The IHDI allows a direct link to inequalities in dimensions, it can inform policies towards inequality reduction, and leads to better understanding of inequalities across population and their contribution to the overall human development cost.</p> <p>- Sanderson (2018) - Human Life Indicator -- considers life expectancy at birth + inequality in longevity --- between 2 ctries w/ same life expectancy, ctry with higher infant mortality, child deaths would have lower HLI</p> <ul style="list-style-type: none"> • Solves trade-off • High correlation b/w life expectancy, education, GDP per capita --> not much loss of data by including only one <p>- Colombia's violence adjusted HDI</p> <p>- Costa Rica's security-corrected HDI</p>																	
2. Describe the different indicators that are used by UNDP to construct the Human Development Index (HDI). Why is a logarithmic transformation applied only to per capita income in the calculation of HDI? (20, 2014)	<p><u>Intro:</u></p> <p>- ___</p> <p><u>Conclusion:</u></p> <p>- ___</p>	<p>- First part answered above</p> <p><u>Why log of income?</u></p> <p>- Index calculated by normalising the natural logarithm of GNI wrt natural log of minimum & maximum values</p> <p>- OPHI - to reflect the diminishing importance of income w/ increasing GNI per capita == diminishing marginal utility of income</p> <p>- Also satisfies Sen's contention that relative poverty in a rich economy would translate into absolute poverty on several dimensions as they may require greater outlay to be achieved.</p> <p><u>Why not log of health, education?</u></p> <p>- So far only IRS found</p> <p>- Positive externalities effect observed -> usually underproduction --</p>																	
3. Compare Human Development Index (HDI) with Human Poverty Index (HPI) as a measure of development. How is the Human Poverty Index different from the Happy Planet Index? (20, 2011)	<p><u>Intro:</u></p> <p>- ___</p> <p><u>Conclusion:</u></p> <p>- ___</p>	<p><u>Human Poverty Index</u></p> <p>- By UNDP to complement HDI; 1st ed in 2007</p> <p>- Measure of standard of living in a country</p> <p>- Concentrates on deprivation in 3 essential elements of human life already reflected in HDI -- longevity, knowledge, decent std of living</p> <p>- Derived separately for dyping ctries (HPI - 1), group of select high-income OECD nations (HPI - 2) -- to reflect socio-economic differences, widely different measures of deprivation in both grps</p> <p><u>Happy Planet Index</u></p> <p>- HPI = $\frac{\text{well being} \times \text{life expectancy}}{\text{ecological footprint}}$</p> <p>- Well being - how residents of each ctry rate the quality of their lives overall (0 - 10) -- based on Gallup World Poll's 'Ladder of Life'</p> <p>- Life expectancy - from UNDP</p> <p>- Ecological footprint - avg impact that each resident of a ctry places on the environment -- based on Global Footprint Network Data (unit: gha global hectares per person)</p>																	
4. What is HDI? Give its limitations as a measure of economic development and suggest improvements. (20, 2009)	<p><u>Intro:</u></p> <p>-</p> <p>- Gillivray (2017) -- HDI generally reveals little more than any of the pre-existing development indicators reveal alone</p> <p>-</p> <p><u>Conclusion:</u></p> <p>-</p>	<p><u>Limitation of HDI as an economic indicator</u></p> <table border="1"> <thead> <tr> <th>Limitation</th> <th>Suggestion</th> </tr> </thead> <tbody> <tr> <td>Theoretical foundation in Capabilities Approach -- reality: narrow focus on edu, life expectancy & income capabilities;</td> <td>Widen by including parameters for political and social factors as well</td> </tr> <tr> <td>Aggregate indicator; insensitive to distribution - inequality, poverty, gender disparity</td> <td>IHDI - inequality adjusted HDI</td> </tr> <tr> <td>Correlates factors that are more common in developed economies -- edu, per capita GNI</td> <td>One composite rather than 2 highly correlated variables would be a better indicator</td> </tr> <tr> <td>Bound value of 0 and 1 -- not much room for improvement of HDI through GNI/ life expectancy improve if already HDI at high levels</td> <td></td> </tr> <tr> <td>Assigns weights to certain factors that are equal trade-offs -- measurements may not be equally valuable -- eg health index vs GNI -- person's life expectancy has an economic value</td> <td></td> </tr> <tr> <td>Struggle w/ accuracy & meaningfulness of underlying data</td> <td></td> </tr> </tbody> </table> <p><u>Limitations of HDI</u></p> <p>- Provides a limited evaluation of human development -- encompasses far more parameters than considered in HDI</p> <p>- Doesn't specifically reflect quality of life factors -- empowerment movements, overall feeling of security</p> <p>- Thus -- HDRO Human Development Report Office -- provides additional composite indices to evaluate other life aspects -- incl inequality issues -- gender disparity, racial inequality</p>	Limitation	Suggestion	Theoretical foundation in Capabilities Approach -- reality: narrow focus on edu, life expectancy & income capabilities;	Widen by including parameters for political and social factors as well	Aggregate indicator; insensitive to distribution - inequality, poverty, gender disparity	IHDI - inequality adjusted HDI	Correlates factors that are more common in developed economies -- edu, per capita GNI	One composite rather than 2 highly correlated variables would be a better indicator	Bound value of 0 and 1 -- not much room for improvement of HDI through GNI/ life expectancy improve if already HDI at high levels		Assigns weights to certain factors that are equal trade-offs -- measurements may not be equally valuable -- eg health index vs GNI -- person's life expectancy has an economic value		Struggle w/ accuracy & meaningfulness of underlying data				
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Poverty Alleviation Schemes																			
1. Comment on poverty alleviation schemes undertaken by Gol for urban poor. (10,2020)	<p><u>Intro:</u></p> <p>- UNU 'Estimates of impact of COVID-19 on Poverty' -- 812 mn poor in India; could increase to 915 mn duet to COVID (based on poverty line of \$3.2/ day -- WB -- for lower-middle-income ctries)</p> <p>- Key targets:</p>	<p>- Current situation</p> <ul style="list-style-type: none"> • 364 mn people BPL (2021) • 271 mn people came out of poverty b/w 2005-15 • \$1.9 -- global line for extreme poverty (WB) • 40% of World's poor live in conflict-affected ctries <p>- Schemes:</p> <ul style="list-style-type: none"> • DAY-NRLM 																	

	<ul style="list-style-type: none"> • Eradicate extreme poverty for all people • Base poverty line estimation on the consumption expenditure NOT on income levels • Identification of all forms of poverty, beyond the economic realm • Holistically address - multidimensional poverty <p><u>Conclusion:</u></p> <p>—</p>	<ul style="list-style-type: none"> • DAY-NULM • MGNREGA, 2005 • PM KISAN Nidhi Scheme • PM Awas Yojana • ICDS Integrated Child Dypment Services • NFSM - National Food Security Mission • Pradhan Mantri Garib Kalyan Yojana <p>- Constraints</p> <ul style="list-style-type: none"> • Unequal distn of land and other assets • Issue of free rider • Insufficient amount of resources allocated • Inadequately trained implementing officials -- corruption prone, vulnerable to pressure from various local elites • Low participation of local level institutions in implementation <p>- Way forward</p> <ul style="list-style-type: none"> • Providing adequate training and incentives - govt, bank officials • Ensuring participation of local govt & institutions • Effective distn of wealth, benefits of eco gr • Policy responses need to reflect the changing profile of the poor • Poverty action needs to address hot spots of 3Cs: conflict, climate change and COVID 19 • Expanding cooperation and coordination at state, national as well as global level among all stakeholders 			
<p>2. Market economy excludes poor from the consumer as well as employment market. Discuss how one can safeguard the interests of the population below poverty line. (15,2015)</p>	<p><u>Intro:</u></p> <p>- Mkt economy based on Adam Smith's Invisible Hand principle. However, it is premised on well-functioning mkt based on complete information, instantaneous adjustments. In absence of these, market failures occur, including exclusion from employment and consumption markets</p> <p><u>Conclusion:</u></p> <p>- Amartya Sen -- being relatively poor in an affluent society increases risk of being absolutely poor on several indicators -> since higher costs of obtaining resources for capability dypment, health, etc</p> <p>- India seen a sharp, market led GDP growth since 1990s. Need to ensure it also has the element of inclusiveness</p> <p>- Poverty anywhere is a threat to prosperity everywhere. India home to 347 mn poor. Economic and moral responsibility to eradicate absolute poverty.</p>	<p><u>Exclusion from consumer mkt</u></p> <p>- Lack of income</p> <p>- Access to markets poor</p> <p>- 'unmet' demands</p> <p>- Low profitability -> mkt doesn't serve their needs</p> <p><u>Exclusion from employment mkt</u></p> <p>- Low skill development</p> <p>- Low bargaining powers</p> <p>- Poor health -> ineffective labour force participation</p> <p>- Educational achievements -- lower</p> <p>- Unable to keep pace w/ 4th IR</p> <p>- Agriculture - disguised unemployment</p> <p>- Mfg -- limited to blue collar, unskilled jobs</p> <p><u>Mechanisms for safeguarding</u></p> <p>- Consumption side</p> <ul style="list-style-type: none"> • Govt provisioning of health, edu at low cost to poor (K Srinath Reddy Committee Reco) <ul style="list-style-type: none"> ◦ 70% OOPE in India • Financial inclusion of poor eg PMJDY • Expansion of social safety net (WB study on B'desh) <ul style="list-style-type: none"> ◦ Eg unemployment insurance • Ensure consumption benefits actually reach the rural poor -- PDS <p>- Employment side</p> <ul style="list-style-type: none"> • Upskilling of poor population -> capability development • WDR World Development Report -- promote labour std -- social security, occupational safety • WDR - lighten regulatory burden <ul style="list-style-type: none"> ◦ Onerous burden of compliance costs esp for small firms <p><u>Market reforms</u></p> <p>- Efficiency, transparency</p> <p>- Eliminate crony capitalism, adverse incentives</p> <p>- Informational symmetry</p> <p>- Macro + micro reforms</p> <p>- Improve people's access to mkt & information -- investment in infra & modern tech + credit sources</p> <p>It has seen that market economy increases inequalities. In the competition poor people may not stand due to poor capability development. Thus there is need to safeguard interest of poor in market economy.</p> <p>Safeguarding poor interest in market economy</p> <p>Skilling of poor population. So that there is capability development of BPL families. Government provision of health and education at low cost to poor. In India 70% health expenditure is out off pocket. It puts heavy burden on poor. Improving financial inclusion of poor. For example in India Jan Dhan Yojana played important role. Increasing social safety net. For example there could be introduction of unemployment insurance. According to world development report, Labor standards especially regarding social security and occupational safety should be promoted. World development report suggest that there should be lightning of regulatory burden. Compliance with regulations imposes fixed costs that are particularly onerous for small firms. Making Sure Consumption Benefits Reach the Rural Poor. It can be achieved through PDS Furthermore, to make markets work better for poor people, macro reforms must be complemented by micro reforms and improvements in poor people's access to markets and information—through investment in infrastructure and modern technologies—as well as sources of credit.</p>			
<p>3. Elaborate growth-mediated and support-led security strategies of poverty alleviation given by Jean Dreze and Amartya Sen. (20,2014)</p>	<p><u>Intro:</u></p> <p>- Jean Dreze & Amartya Sen - poverty alleviation strategies based on 'development as freedom' and 'capability approach'</p>	<p><u>Growth mediated security strategy</u></p> <p>- Relies on promoting eco gr</p> <p>- Take adv of extra resources, both wrt private income + basis for public support</p> <p><u>Support led security strategy</u></p> <p>- Direct attack on issue through public programmes -- employment provision, income redistribution, health care, education</p>			

	<p><u>Conclusion:</u></p> <p>- ___</p>	<p>- Must not wait for transformation in the level of general affluence to provide redistribution</p> <p><u>Similarities</u></p> <p>- Critical importance of public provision for primary health care, basic education - If economic gr is to improve living conditions -- must be participatory + must provide wide, remunerative employment</p> <p><u>Evaluation:</u></p> <p>- Both have been successful in reducing poverty in diverse countries - Growth mediated -- Hong Kong, South Korea, Singapore - Support led - China, Jamaica, Chile, Costa Rica</p> <p><u>Context of India</u></p> <p>- Indian growth story not reflected in significant reduction in poverty, emp generation, human K dvpment - Need to make growth inclusive - State must invest in edu, health right away • Current: edu __, health 1.8% of GDP</p>			
<p>4. Highlight the issues of Bhagwati-Sen controversy over tackling poverty and slow growth rate. (10,2014)</p>	<p><u>Intro:</u></p> <p>- ___</p> <p><u>Conclusion:</u></p> <p>- ___</p>	<p>- Bhagwati</p> <ul style="list-style-type: none"> • Hence, first target growth and then use the resources for redistribution • Track Model • Track 1, Track 2 and also incentive • Growth drops poverty by itself and by capability to Track 2 • May raise inequality but makes possible • Redistribution before growth would be difficult because there are too few people • Proof - Indian LPG and decline in growth <ul style="list-style-type: none"> ◦ Although Himanshu would contest against it <p>- Sen</p> <ul style="list-style-type: none"> • Support led security, Social 1st • Social Capital like Health, education that provides growth • International eg - No country has grown without raising capability <ul style="list-style-type: none"> ◦ In SEA - Stiglitz - Capability • Trickle down does take place, but it is too slow - Impatience <ul style="list-style-type: none"> ◦ Impatience is increasing because of 2 factors <ul style="list-style-type: none"> ▪ Public has Growingly demanding Fundamental rights ▪ There is a growing recognition of the gap between have and Have nots which is further fuelling impatience • Social - labour intensive - cheaper in developing - (Hirschmann's SOC -> DPA - (Development via Excess Capacity) <p>- Synthesis - Job creating growth - Arun Maira</p> <p>Bhagwati focuses more on growth than distribution. He thinks more liberalization, privatization and foreign trade will promote growth. He points out that economic growth will lead to reduction in poverty. According to him economic growth will increase employment opportunities and thus reduces poverty. Economic growth increased revenue for the government thus government can now spend more on health, education and social welfare schemes. He suggested that in the country where the poor exceeds rich by large margin, redistribution will increase welfare of poor marginally.</p> <p>However empirical evidence confirms that growth not necessarily generates adequate employment & thus it will be difficult to tackle poverty. India is seeing similar jobless growth.</p> <p>Sen's Approach</p> <p>Sen advocates approach of building capability through investment in education and health. Unlike Bhagwati he does not consider, growth first and then redistribution. He suggest that growth of India is not reflected in significant reduction in poverty, employment generation and human capital development. Thus there is now need to make growth inclusive. State should investment in education and health right away without waiting for being rich and then redistribution. He was not against liberalization but he gave priority to investment in education and health. However Sen's view underplays importance of infrastructure and physical capital.</p> <p>What required is balanced between strategy of Sen and Bhagwati. There is need to have equal emphasis on human capital development and rapid growth with capital accumulation.</p>			
<p>5. Poverty alleviation strategy of the day is moving ahead of Redistribution with Growth (RWG) of Chenery and the World Bank and Dreze and Sen's Growth-mediated security and Support-led security strategies to <u>Empowerment</u>, <u>Opportunities</u> and <u>Security</u> lines. Elaborate. (30, 2011)</p>	<p><u>Intro:</u></p> <p>- ___</p> <p><u>Conclusion:</u></p> <p>- ___</p>	<p><u>Old Strategies</u></p> <p>- Growth based/ trickle down theory</p> <ul style="list-style-type: none"> • 1950s, 60s • High growth rate alone considered sufficient to reduce mass poverty • Mkt failures may happen; impact of such failures would be small • Employment creation & expansion faster than popn growth, displacement rates <p>- Direct handling</p> <ul style="list-style-type: none"> • Income generating + self employment programs <p>- Chenery & World Bank: redistribution w/ growth</p> <ul style="list-style-type: none"> • 1970s -- most economies grew at high rates but NO visible impact on poverty -- death knell for trickle down theory • Now: necessary to attack poverty directly <ul style="list-style-type: none"> ◦ Focused programmes devised for social groups identified as poor <p><u>New strategies</u></p> <p>➤ Diverges from old strategy wrt treatment of poor as 'passive recipients of welfare measures' to 'active participants in the growth and poverty alleviation process'</p> <p>➤ Strategy:</p> <ul style="list-style-type: none"> ◦ Focus on expansion of economic opportunities for poor <ul style="list-style-type: none"> ▪ Enhance eco gr ▪ Increase asset base ▪ Improve returns on these assets ◦ Facilitate empowerment <ul style="list-style-type: none"> ▪ Strengthen participation of poor in decision making ▪ Eliminate their disabilities 			

		<ul style="list-style-type: none"> ▪ State more responsive to them ○ Enhance security <ul style="list-style-type: none"> ▪ Reduce vulnerability to various forms of insecurity -- economic shocks, natural disasters, crop failures, ill health etc ➤ Advocates <ul style="list-style-type: none"> ○ More foreign aid ○ Promote global economic stability + reduce risk of economic crises ○ Open up developed ctry mkts for poor ctries ○ Encourage production of int'l public goods that benefit poor people -- agri & medical research, etc ○ Greater voice to developing ctries in int'l forums - - Empowerment <ul style="list-style-type: none"> • Rights based approach - Opportunities <ul style="list-style-type: none"> • Capability approach Sen • Public expenditure towards primary health & education • Create higher income-earning capability among poor hhs • Also dealt w/ non-income dimensions of poverty • Sustainable poverty reduction at hh level -- capability from ss side interacts w/ expanding labour-dd for better skills generated by rapid growth - Security <ul style="list-style-type: none"> • Dreze & Sen -- Growth mediated security and Support led security models 													
<p>6. Would you advocate a programme of Universal Basic Income (UBI) to reduce extreme poverty in India? Discuss in detail. (15,2019)</p>	<p><u>Intro:</u> - <u>Conclusion:</u> -</p>	<p>(Same as Q11 below)</p>													
		<p>According to Economic Survey a UBI could cost 4-5% of GDP. A UBI will ideally have the following characteristics:</p> <p><u>Universal</u> – Available to everyone – not means tested</p> <p><u>Basic</u> – Sufficient money for basic needs</p> <p><u>Income</u> – Cash transfer on a regular basis (not one-time)</p> <p><u>Pros</u></p> <ul style="list-style-type: none"> - Poverty still high at 22% in 2011-12; need new approach to reduce it - Present welfare schemes ridden with corruption <ul style="list-style-type: none"> ○ 46.7% grain diverted under PDS (Gulati and Saini, 2015) ○ Malpractices in MGNREGS - Missing out eligible beneficiaries a major concern with current anti-poverty programmes <ul style="list-style-type: none"> ○ E.g. 8 crore have no ration card - DBT and JAM made efficient transfers possible - If all subsidies are phased out, fiscal room of 4% of GDP can be made available - Moral imperative to reduce poverty beyond 22% in a \$3 trillion economy <p><u>Cons</u></p> <ul style="list-style-type: none"> - Fiscally unsustainable <ul style="list-style-type: none"> ○ If subsidies are not phased out, amount may increase with political cycle - Even the rich get a UBI transfer <ul style="list-style-type: none"> ○ Wastage of fiscal resources - Might reduce labour supply and job hunt <ul style="list-style-type: none"> ○ Although Banerjee et al. found no effects in an RCT - Amount that is transferred may be spent on sin goods <ul style="list-style-type: none"> ○ Unequal distribution within family (women, girls) - Multidimensional poverty will not decrease just by cash transfer <ul style="list-style-type: none"> ○ 377 million MPI poor (2018); need other assets like housing, sanitation too that are not supplied by private market. <p><u>Conclusion</u></p> <p>More debate and analysis is needed on UBI. Its fiscal cost must be contained by reducing other subsidies and pilots must be conducted at the state level to test impact on poverty.</p>													
<p>7. The various anti-poverty programmes have not achieved the desired socio-economic progress in India. Write down the major programmes and your broad-based assessment of their weaknesses. (20,2017)</p>	<p><u>Intro:</u> - Present - multidimensional approach to poverty alleviation - Focus on food security, income support, skill development, health status, insurance and development</p> <p><u>Conclusion:</u> -</p>	<table border="1"> <thead> <tr> <th data-bbox="608 1406 715 1435">Programme</th> <th data-bbox="715 1406 1198 1435">Weaknesses</th> </tr> </thead> <tbody> <tr> <td data-bbox="608 1435 715 1547">Multidimensional poverty -- Mission Antyodaya</td> <td data-bbox="715 1435 1198 1547"></td> </tr> <tr> <td data-bbox="608 1547 715 1659">Food security - PDS, NFSA</td> <td data-bbox="715 1547 1198 1659">To ensure food for all and right to food public distribution system was started. However study suggest that corruption, poor quality and less quantity of entitlements, incorrect classification of below and above poverty households, bogus cards and inadequate functioning of the fair price shops are the major problems in system</td> </tr> <tr> <td data-bbox="608 1659 715 1809">Land reforms</td> <td data-bbox="715 1659 1198 1809">Just after independence India focused on land reforms. Its aim was to ensure equity in land distribution and then use it as tool for poverty alleviation. However except Zamindari abolition almost all reforms are incomplete. According to PS Appu by 1992 ownership right conferred to only 4% of cultivated area. He said that political and administrative apathy was major reason for incomplete land reforms.</td> </tr> <tr> <td data-bbox="608 1809 715 2033">Green revolution</td> <td data-bbox="715 1809 1198 2033">By 1965 India started facing acute food shortage. It was major hinderance for poverty alleviation. It increased food grain production from 75 mt in 1965 to 250 mt now. India is now food sufficient country. However its impact was limited. Pulses production dropped from 61mg per capita to 42 mg per capita now. It is seen that it was limited to Punjab, Haryana and western UP. Eastern and north eastern sector was ignored. Increased mechanization reduced employment elasticity of the agriculture. Thus it increased rural distress.</td> </tr> <tr> <td data-bbox="608 2033 715 2132">MGNREGA</td> <td data-bbox="715 2033 1198 2132">In 2005 government launched MGNREGA program to ensure 100 days guaranteed employment in rural area. However it is seen that only 40% of wages were paid within 15 days. Average work days generated are much less than what promised. Current average is just 50 days. According to CAG report, only 20% of total funds</td> </tr> </tbody> </table>	Programme	Weaknesses	Multidimensional poverty -- Mission Antyodaya		Food security - PDS, NFSA	To ensure food for all and right to food public distribution system was started. However study suggest that corruption, poor quality and less quantity of entitlements, incorrect classification of below and above poverty households, bogus cards and inadequate functioning of the fair price shops are the major problems in system	Land reforms	Just after independence India focused on land reforms. Its aim was to ensure equity in land distribution and then use it as tool for poverty alleviation. However except Zamindari abolition almost all reforms are incomplete. According to PS Appu by 1992 ownership right conferred to only 4% of cultivated area. He said that political and administrative apathy was major reason for incomplete land reforms.	Green revolution	By 1965 India started facing acute food shortage. It was major hinderance for poverty alleviation. It increased food grain production from 75 mt in 1965 to 250 mt now. India is now food sufficient country. However its impact was limited. Pulses production dropped from 61mg per capita to 42 mg per capita now. It is seen that it was limited to Punjab, Haryana and western UP. Eastern and north eastern sector was ignored. Increased mechanization reduced employment elasticity of the agriculture. Thus it increased rural distress.	MGNREGA	In 2005 government launched MGNREGA program to ensure 100 days guaranteed employment in rural area. However it is seen that only 40% of wages were paid within 15 days. Average work days generated are much less than what promised. Current average is just 50 days. According to CAG report, only 20% of total funds	
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		<p>allocated under scheme were released for Bihar, UP and Maharashtra where 40% of the poor live.</p>											
		<p>Income support/ increase - PM KISAN</p> <ul style="list-style-type: none"> - Universalisation of PM KISAN doesn't address pre-existing wide inequalities in farmer incomes - Low productivity of agri <table border="1"> <thead> <tr> <th></th> <th>Agri</th> <th>Industry</th> <th>Services</th> </tr> </thead> <tbody> <tr> <td>Relative productivity</td> <td>1</td> <td>3.6</td> <td>5.8</td> </tr> </tbody> </table> <ul style="list-style-type: none"> - Agri challenges -- irrigation; goals & fund allocation non-commensurate; low seed-replacement rates; disproportionate urea use - Allied sector -- shortage of green fodder, inadequate vet, poor ss chain - Remunerative prices <ul style="list-style-type: none"> • Mktg reforms - policy distortions; large no of intermediaries due to fragmentation; lack of vertical integration; APMC stranglehold • MSP reforms -- mkt price fluctuation; distortion of cropping pattern; cereal centrality; envi degradation; deterioration in water, soil quality; regional discrimination (eg NE states) - Low income elasticity + low price elasticity of agri products -- income decreased due to price decrease in event of production increase 		Agri	Industry	Services	Relative productivity	1	3.6	5.8			
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		<p>Amenities & std of living rise --</p> <ul style="list-style-type: none"> - Poor access to public goods - Housing -- delays in release of funds; backlog of half finished structures (2020 -- 11mn completed; target: 29 mn by 2022) - Drinking water & sanitation <ul style="list-style-type: none"> • non-functional apex body • absent/ non-functional state level bodies; • Reduced central allocation -- states unable to compensate • Implementation deficiencies • Gaps in contractual mgmt • Inadequate focus on surface water based schemes • CAG: operation and maintenance plans not prepared in most states 											
		<p>Employment generation - MGNREGA, DAY-NULM, DAY-NRLM</p> <ul style="list-style-type: none"> - Lagging in formation, strengthening of producer groups, producer companies in sustainable agri, non-timber forest products - Bank linkage of women SHGs -- focus only on creation of credit NOT effective usage of funds; lack of microplanning -- funds used for unproductive purposes 											
		<p>Skill development - PMKVY, DDU GKY, USTTAD, Nai Manzil</p> <ul style="list-style-type: none"> - Unrealistic target setting -- 400mn youth by 2022 actual only 25mn by 2020 (Skill India) - Inefficient, corrupt private training partners - Incomplete restructuring of oversight mechanism - Lack of leadership - Limited outreach -- not a single skilling insti in big distts -- Kanyakumari, Trichy, Tirunelveli, etc - Ill-designed curricula, short-sighted policy making <ul style="list-style-type: none"> • PMKVY focus on short term skilling courses 											
		<p>Health status</p>											
		<p>Social security - Insurance - PM SBY, PM JJBY, NSAP</p> <ul style="list-style-type: none"> - Underperformance - negative financial inclusion gr in 98% aspirational districts - Exclusionary approach - Inadequate budgetary allocation - Lack of convergence -- multiplicity, confusion, admin costs - Complex processes debilitate delivery mechanisms - Implementation issues - Lack of humane imagination -- short sighted policy 											
		<p>Rural development - Shyama Prasad Mukherjee Rurban Mission</p> <ul style="list-style-type: none"> - Rural infra creation & emp <ul style="list-style-type: none"> • Implementation gaps • Not followed mandatory presence of female rep in block planning teams • Abysmal community partnership in preparation of social, resource maps 											
		<p>Urban development - SMART cities mission, HRIDAY, AMRUT</p> <ul style="list-style-type: none"> - Urban housing -- inflated land prices -- low rental yields; artificially high prices; low land use flexibility; restrictive floor space index in most cities -> inhibits high rise buildings; - Amenities -- 60--70% MSW disposal expenditure on collection, 20-30% transport; negligible on treatment and actual disposal - Transport -- pedestrian unfriendly, congested roads; not smooth traffic flows; lack of national design stds, contracting stds for roads 											
8. Rural poverty continues to be a chronic problem in India, which cannot be taken care of by anti-poverty programmes but by creation of permanent productive assets. Discuss. (20,2015)	<p><u>Intro:</u></p> <p>---</p> <p><u>Conclusion:</u></p> <p>---</p>	<p><u>Challenge of poverty</u></p> <ul style="list-style-type: none"> - 29% poor - 374 mn people poor - HDI Rank: - MDPI rank: - World's largest no of poor in India <p><u>Limitations of narrow focused poverty alleviation programs</u></p> <ul style="list-style-type: none"> - Problems of exclusion; incorrect classification - Ghost beneficiaries in MNREGA, PDS - Temporary solution -- bounce back of poverty if schemes stopped - Reduction in absolute poverty but sharp rise in relative poverty - Inflationary - Burden on exchequer - Moral hazard risk -- decrease in productivity <p><u>Merits of strategy of permanent productive asset creation</u></p> <ul style="list-style-type: none"> - Creation of long term capacity - Inclusive strategy - Capable workforce -> more income generation - Deals w/ both absolute and relative poverty - Reduces burden on state finances in long run 											

<p>9. Explain why in spite of poverty alleviation schemes number of the poor has not fallen very much. (12,2012)</p>	<p><u>Intro:</u> - ___</p> <p><u>Conclusion:</u> - ___</p>	<p>Subset of Q 7 -- deficiencies and implementation challenges in schemes ++ Also about population growth Inequitable eco development</p> <p>WF: inclusionary approach, NITI SDG Index, etc</p>						
<p>10. "By restricting social benefits to BPL households, the poverty line (in India) will be fully converted from a statistical benchmark to a real-life social division" (Dreze). Discuss. (15,2011)</p>	<p><u>Intro:</u> - ___</p> <p><u>Conclusion:</u> - ___</p>	<p>1. A person just above BPL is not any different from a person just below BPL. So why should we treat them so unequally that someone who is just below the poverty line is poor is a candidate for transfers and the special attention of the World Bank, while someone who is just above it needs no help and can be safely left to their own devices? 2. BPL based techniques generally depend on HCR which fails to satisfy the strong upward transfer axiom.</p>						
<p>11. Explain the <u>concept</u> and the <u>underlying rationale</u> of 'Universal Basic Income'. (10,2017)</p>	<p><u>Intro:</u> - Periodic cash payment unconditionally delivered to all citizens</p> <p><u>Conclusion:</u> - ES 2017-18: <ul style="list-style-type: none"> ₹7620/ yr -> 4.9% of GDP reqd for UBI implementation Pre reqs for UBI -- (i) JAM trinity, (ii) centre-state negotiations on cost sharing </p> <p>- Amartya Sen on cash transfers: 'What I don't like about cash transfers is that it is just re-distribution and I'm against that. If we raise the money, we should use it for those public services that are lacking. What the poor need is better public services and not cash in their pockets. Given the asymmetry of information, you'll never be able to get there. you have to have basic services for everyone.'</p>	<p><u>Concept</u> - 3 basic components <table border="1" data-bbox="619 405 895 434"> <tr> <td>Universality</td> <td>Unconditionality</td> <td>Agency</td> </tr> </table> </p> <p><u>Rationale</u> (points in favour) - Prevents misallocation of resources -- richer areas have better admin, receive more resources <ul style="list-style-type: none"> In top 6 welfare schemes, under NO scheme do poorest districts receive more than 40% of total resources - Remedies exclusion of genuine beneficiaries <ul style="list-style-type: none"> States having >50% of total poor got only 33% MNREGA funds in 2015-16 Universalisation of NFSA, PDS -> substantial increase in subsidy to bottom 40% since 2011-12 - Potential to reduce inequality and alleviate rural distress - Direct attack on poverty - Choice & agency - Better targeting -- eliminates middle men and intermediaries - Insurance against shocks <ul style="list-style-type: none"> WB study on B'desh -- - Administrative efficiency - Financial inclusion</p> <p><u>Points against</u> - Conspicuous spending -> Rowntree's secondary poverty issue - Moral hazard -> reduction in labour supply (Income effect > substitution effect) - High fiscal cost; transfer to rich individuals - Gender disparity -- gender norms may regulate the sharing of UBI w/in hh - Market risks -- cash vs food - Implementation stress in banking system - Inflationary character - May be used as a populist political tool - Needs diversion of funds from other more pressing concerns -- health insurance</p> <p><u>Way forward</u> - Quasi universality -- targeted to specific beneficiaries - Gradualism - UBI for women - UBI in urban areas: access to mkt, proper infra</p> <p><u>CASEs:</u> - Rythu Bandhu Scheme, Telangana ₹4000/ acre - KALIA scheme, Odisha - PM KISAN 2019</p>	Universality	Unconditionality	Agency			
Universality	Unconditionality	Agency						
<p>Inequality</p>								
<p>1. Analyse the validity of the inverted U-shaped hypothesis of Kuznets in the context of changes in inequality in India. (15,2020)</p>	<p><u>Intro:</u> - Kuznets hypothesis: with increase in income, inequality first increases, then decreases - Graph</p> <p><u>Conclusion:</u> - Anand & Kanbur (1992) -- choice of data as measure of inequality may lead to a U reln/ inverted U reln/ no reln at all b/w income inequality & dypment in India</p>	<p>- 1950-1970 <ul style="list-style-type: none"> Growth Share of top 1% in national income -- decreased from 10% to 4% </p> <p>- 1991 reforms <ul style="list-style-type: none"> Significant increase in growth rate Sharp rise in inequality Declining trend in poverty Share of top 1% in national income -- 13% </p> <p>- Hence, rather than inverted U, India's inequality trends show an upward U in India - Explanation <ul style="list-style-type: none"> Liberalization on one side increased growth. Government efforts on other side helped to reduce poverty. However there was little focus on redistribution which led to rising inequalities. Economics Survey 2020 also suggest that crony capitalism is main cause of inequalities. </p>						
<p>2. Analyse trends in GDP growth and inequality during the first 3 decades of planning in India. Has the distribution of income in India become more equal during the post reform period? Suggest some policy measures that could help reduce income inequalities. (20,2020)</p>	<p><u>Intro:</u> - ___</p> <p><u>Conclusion:</u> - ___</p> <p><i>According to Sen, the quantum of wage employment in a country depends on the total supply of wage goods on one hand and the real wage rate on other. If E represents the quantum of employment which can be provided, M represents the supply of wage goods and W the real wage rate then E = (M/W). Thus if M is less than what is required to supply all labor force, all workers can't be fully employed</i></p>	<p><u>Trends</u> - 1950-65: <ul style="list-style-type: none"> 3.5% p.a. Growth rate. share of the top 1% of the population's income decreased from 10% to 4%. It shows that during the first three decades of planning with GDP growth inequality was decreasing. </p> <p><u>Reason for such trend</u> - Land reforms implementations started after independence. Land reforms have impact on reducing inequalities. - Industries were dominated by government sector thus overall dominance of private sector for wealth accumulation was low. - Socialist policies of first 3 FYP played important role in GDP growth and reducing inequalities.</p> <p><u>Post-reform period</u> - GDP growth ~7% per annum. - share of top 1% of the population's income has increased to 13%. - More unequal distribution</p> <p><u>Policy measures to reduce inequalities</u> - There is need to bring a new land reforms policy which is more inclusive.</p>						

		<ul style="list-style-type: none"> -As done by the ASEAN countries India should invest in the human capital and social securities. -With the help of digitisation there is need to increase transparency to reduce crony capitalism. -Below point -- in terms of wage goods -- Lewis model proposes that deficiency of wage goods -The failure to grow manufacturing sectors like Textile, Clothing, automobiles, consumer goods etc. is the important reason of rising inequalities. Thus there should be hand holding of labor intensive sectors. -Additional public resources for public services by progressive taxes on wealthy more and by increasing the effective taxation on corporations, more importantly broadening the tax base through better monitoring of financial transactions. -Inequality might become serious socio economic problem for India. Thus, governments should focus on reducing inequalities so that fruits of growths are shared equally. 			
3. Explain why in spite of economic planning income distribution has turned more unequal through time. (12,2012)	<p><u>Intro:</u></p> <p>—</p> <p><u>Conclusion:</u></p> <p>—</p>				
4. Reflect on the relationship among economic growth, inequality and poverty in the post-reform period in India. (15,2018)	<p><u>Intro:</u></p> <p>—</p> <p><u>Conclusion:</u></p> <p>—</p>	<p>After 1991 reforms <u>growth in India increased significantly</u>. With the growth <u>poverty showed declining trend</u> however at the same time <u>inequalities increased significantly</u>.</p> <p>Growth rate of India from 1991-2011 increased from <u>5% to 9%</u> while <u>poverty decreased from 45% to around 29%</u>. Himanshu's estimate suggest that in the same period Gini coefficient increased signifying increased inequality.</p> <p>Reasons for such trend</p> <p>With growth, there was resource generation which helped in reducing absolute poverty.</p> <p>According to <u>Himanshu</u> poverty decreased due to government efforts like PDS and MGNREGA.</p> <p>According to <u>NCAER</u> report <u>32% contribution in poverty reduction is due to MNREGA</u>. However salaries received in MGNREGA is very low. It might be reason for promoting inequalities.</p> <p>According to <u>RBI</u> data <u>MGNREGA increased bargaining power of workers</u>. It <u>increased rural wages in India</u>. Thus leading to decline in poverty.</p> <p>However India has seen jobless growth. Service sector employees were receiving high salaries while other sector received comparatively less. It led to increased inequalities.</p> <p>There was already inequality, it was worsen with growth. According to <u>Oxfam</u> report <u>most of the benefits of growth went to the richer class</u>.</p> <p><u>Economics Survey 2020</u> suggest that <u>crony capitalism is main cause of inequalities</u>. Liberalization on one side increased growth. Government efforts on other side helped to reduce poverty. However there was little focus on redistribution which led to rising inequalities</p>			
Poverty & growth		<ol style="list-style-type: none"> <u>1. Circular causation:</u> If we define poverty as lack of income then there is a circular element here and a rise in income is bound to have a reducing impact on extent of poverty. Growth is not the only or even principle means of poverty reduction. This is because poverty need not take the form of only low incomes. It can be reflected in various other disabilities. In particular role of education and health is important and hence the need to expand these basic services. <u>2. Post reforms vs pre reforms - overall rate:</u> Rural poverty was 50% in 1993-94, 42% in 2004-05 to 34% in 2009-10. (All India poverty has declined from 45% in 1993-94 to 37% in 2004-05 to 30% in 2009-10. Urban poverty has declined from 32% in 1993-94 to 25.7% in 2004-05 to 21% in 2009-10.) Similarly the rural personal consumption expenditure has recorded a growth of 1.5% p.a. (1.3% from 1994-2005 and 1.7% from 2005-10). Thus the pace of poverty reduction has increased from 0.8% p.a. in 1993-94 to 2004-05 period to 1.2% in the 5 years since. Estimated growth elasticity of poverty in India is ~0.8 and it has fallen post reforms. <u>3. International experience: per capita income growth vs poverty reduction:</u> A study done over Asian countries and covering 1970s, 80s and 90s showed that where the growth rates were high (> 3.5% p.a. per capita income) there was a strong positive correlation between high growth and poverty reduction. In low growth situations the correlation was very weak. In Indian case in the low growth decade of 1970s the elasticity was 2.15, in somewhat higher growth rate decade of 1980s the elasticity was 0.6, in still higher growth rate decade of 1990s it was 0.77 while between 1994-95 to 2004-05 it dropped to 0.13. The 1994-95 to 2004-05 period was also accompanied by a drop in employment growth. <u>4. Growth pattern and poverty:</u> International experience shows that growth in agriculture leads to faster decline in poverty. 			
Poverty & employment		<ol style="list-style-type: none"> <u>1. International experience: employment growth vs poverty reduction:</u> Employment was found to have a higher correlation with poverty reduction than growth in per capita income. It was found that for countries with same per capita income growth but different employment growth, poverty reduction was higher in case of higher employment growth. If we look at poverty reduction rate and employment growth in India, the relationship holds. Thus (based on PC official approach then and not Lakdawala) between 1973-74 to 1983 employment grew @ 2.43% p.a. and poverty reduced @ 1.4% p.a. Between 1983 and 1993-94 employment grew @ 2% p.a. and poverty reduced by 0.8% p.a. Between 1993-94 and 2004-05 employment grew @ 1.8% and poverty reduced @ 0.75%. But when we mix per income growth with employment growth relationships break down. <u>2. Poor are not always unemployed:</u> Most poor are not unemployed. While poverty ratio was 26% in 1999-00, poor among the employed were 29% and poor among unemployed were only 19%. Reduction in poverty was faster in case of unemployed than in case of employed. This is because of faults in definition of employment in India. Moreover educated unemployed are generally not poor. 			
5. India's economic growth is associated with rising inequality. How does it so happened and what actions need to be taken to mitigate the problem? (20,2017)	<p><u>Intro:</u></p> <p>—</p> <p><u>Conclusion:</u></p> <p>—</p>	<p>After 1991 reforms growth in India increased significantly. With the growth inequalities showed increasing trends. Growth rate of India from 1991-2011 increased from 5% to 9%. Himanshu's estimate suggest that in the same period Gini coefficient increased signifying increased inequality.</p> <p>Reasons for such trend</p>			

		<p>India has seen jobless growth. Service sector employees were receiving high salaries while other sector received comparatively less. It led to increased inequalities. There was already inequality, it was worsen with growth. According to Oxfam report most of the benefits of growth went to the richer class. Economics Survey 2020 suggest that crony capitalism is main cause of inequalities.</p> <p>Measures to reduce inequalities</p> <p>Redistribution of income through wealth tax and inheritance tax. Land reforms can be step towards reducing resource inequalities. The social security scheme can be provided which includes provision of free education, free medical and maternity aid, old-age pension, liberal unemployment benefits, sickness and accident compensation, provident fund and schemes of social insurance, etc. Progressive income tax system All conspicuous consumption by the rich can be taxed in high bracket.</p>			
6. Explain the major tools for measuring inequality. Highlight the more appropriate method of measuring inequality. (15,2016)	<p><u>Intro:</u> —</p> <p><u>Conclusion:</u> —</p>	<p>Tool for Measurement of inequality</p> <p>Gini Coefficient</p> <p>The coefficient ranges from 0 (or 0%) to 1 (or 100%), with 0 representing perfect equality and 1 representing perfect inequality. It is measured using Lorenz curve. Gini coefficient is percentage area between line of equality and Lorenz curve.</p> <p>Societal Poverty Line</p> <p>It is combination of the absolute IPL and a poverty line that is relative to the median income level of each country.</p> <p>Hoover Index</p> <p>The Hoover index is a measure of <u>income metrics</u>. It is equal to the <u>portion of the total community income that would have to be redistributed</u> (taken from the richer half of the population and given to the poorer half) for there to be income uniformity.</p> <p>Appropriate method for calculating inequality</p> <p>Inequality index should have properties like Anonymity, Scale independence, Population independence and Non-negativity. All these conditions are fulfilled by Gini Index. Also methodology to calculate Gini index is relatively easy. Thus Gini Index can be considered as appropriate method.</p>			
Population					
1. India has a vast potential to reap a demographic dividend. Explain the point and discuss the necessary measures to realise it. (15,2017)	<p><u>Intro:</u> - Demographic dividend means, "the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population is larger than the non-working-age share of the population."</p> <p><u>Conclusion:</u> - The window of demographic dividend opportunity in India is available only for five decades. Thus there is urgent need to take measures to realize it.</p>	<p>- India has 62.5% of its population in the age group of 15-59 years. - It will peak in 2036. - According to Economic Survey 2018-19, India's Demographic Dividend will peak around 2041. - Thus India has vast potential to reap demographic dividend.</p> <p><u>Measures needed to realize demographic dividend</u></p> <p>- India is currently facing skill gap. India should focus on skill development for unskilled population.</p> <p>- According to skill India report only 48% of graduates are capable of doing job.</p> <ul style="list-style-type: none"> • There is need to improve university education so that student gets required skill. • India's research and development spending is less than 1% of GDP. It is need to be at least 2%. <p>- With fourth industrial revolution, old skill will become irrelevant, There is need of reskilling and upskilling of population.</p> <p>- India's health spending is less than 2% of GDP. Healthy workforce will help to reap demographic dividend. Thus there is need to increase health spending.</p> <p>- India is facing incidences of hunger and malnutrition. PDS can be included fortified food to deal with this issues.</p> <p>- There is need to focus on creating India as global manufacturing hub. It will generate jobs for India's young population.</p>			
2. How does the population growth affect economic development of a country? Can the age structure of population alter the pattern of development in a country? Examine in the light of the Indian experience. (20,2015)	<p><u>Intro:</u> —</p> <p><u>Conclusion:</u> —</p>	<p>Population is important factor for economic development of any country. A healthy and skilled populations increased productivity of the economy. ASEAN growth story suggest that increase investment in human capital increased their growth.</p> <p>However at the same time an unskilled and non working population can increase burden on the economy. It reduces productivity and per capita income.</p> <p>Age structure can also alter the pattern of development in a country. It is called as demographic dividend. Demographic dividend means, "the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population is larger than the non-working-age share of the population."</p> <p>India has 62.5% of its population in the age group of 15-59 years. It will be peaked in 2036. According to Economic Survey 2018-19, India's Demographic Dividend will peak around 2041. Thus India has vast potential to reap demographic dividend.</p> <p>However to reap the demographic dividend India has to work on investment in health and education. India is currently facing skill gap. India should focus on skill development for unskilled population. If India worked on reaping demographic dividend, it can also grow like South Korea and Japan.</p>			
3. 'Population is not just a denominator to deflate aggregates. It is determined by the level and pattern of economic development.' Comment. (20,2012)	<p><u>Intro:</u> —</p> <p><u>Conclusion:</u> —</p>				