Economics

09|08|2023.

Syllabus

- Introduction

1. Inflation
2. Financial Market
3. Money and Banking
4. National Income
5. Budget
6. Taxation System
7. Planning System
8. Poverty
9. Unemployment
10. Foreign Trade

* Economics is the study of Allocation of Resources. In such a manner so that a consumer (Money and Time), can maximise satisfaction, a producer (Land, Labour, capital & organisation) can maximise profit and a society / Govt. can maximise a Social Welfare.

→ In Economics we study the different economics activities that is — Production, Distribution, Exchange & Consumption.

→ In Economics we study how to allocate the resources optimumly because the resources are limited in (a) nature / scarce in nature (b) unlimited wants (c) Alternate uses.

* Ragnar Frish ने Economics को दो भागो मे बाँटा → Economics

Micro Economics

→ It deals with the study of an economic activities at an individual units or at small units.

ex – Study of consumer's demand, Study of a Producer's supply

- Also called Price Theory.
- Father – Adam Smith

Macro Economics

→ It deals with the study of an economic activities at large levels.

ex – Study of National Income, study at Poverty level, unemployment level of Nation.

- Father . J.M Keynes

* JOM Keynes is the father of Macro Economics

Adam Smith (classical Economist)	John Keynes (Keynesian economists)	Liberals/Neoliberals Modern Economists.
• He is the father of Economics. • These Economists said that the Govt. does not intervene in the economics. • Wealth of Nations (1776)	• These Economists said that the Govt. must intervene in economics • (1936) The General Theory of Employment, Interest & Money.	• They said that there must be the freedom with limited Govt. intervention.

* Nobel Prize in Economics — Sveriges Riksbank Prize in Economic Science.

— Jan Tinbergen, Ragnar Frisch } 1969. — 1st Nobel Prize (Holder) in Economics

— Sveriges Riksbank at Stockholm, Sweden in 1668 — world's 1st National Bank.

* Nobel Prizes in Economics —

2021 — (1) David Card. (2) Joshua D. Angrist (3) Guido W. Imbens

2022 — (1) Ben. S. Bernanke (2). Douglas W. Diamond, (3). Phillip H. Dybvig.

Economics

Positive Eco.	Normative Eco
- It deals with 'what is', or 'what would be' (what was)	• It deals with 'what ought to be'.
- It is related with the facts & data.	• It is related with the value judgement & opinion.
- It is objective in nature.	• It is subjective in nature.

* Economy — It is related with a particular place that is, it deals with the study of economic activities over a specified place. It is having a practical implication of economic concept.

Types of Economy

(1) Capitalistic Economy
(2) Socialistic Economy
(3) Mixed Economy

(1) Capitalistic Economy →

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- Free Flow of Market Forces (D & S)
- Most of the Resources are privately owned
- More Private Sectors than Public Sectors
- Main motive is Profit Maximisation.
- Laissez Faire — Govt. has less interference
- Price Mechanism — Price is determined by demand & supply.

- consumer Sovereignity.
- ex — U.S.A, Hong kong, Singapore, Newzealand, Australia, Canada.

* Socialist Economy.

- Restricted flow of Market Forces
- Existence of more public Sector
- Govt has more interference.
- Main objectives are — Social welfare, equal Distribution of Income.
- Economic Planning.
- ex — Russia, North korea, china.
- No choice for Consumers.

* Mixed Economy.

- Existence of both - Private & Public Sector.
- Main objective — Social welfare. (Public)
  Profit Maximisation (Private)
- ex - India.

NOTE Indian Economy converted from Socialism to mixed economy model in the Second five year plan, but from 1991 Onwards. India completely converted into mixed Economy.

— In 1991, By the recommendation of Manmohan Rao Committe new economic reform public policies that is L.P.G.

L— Making easy licensing system. (Liberalisation)

P — converting public sector into private sector. (Privatisation)

G — integrating the economy of our country with the world economy that is having more & more export & import with Many countries.

* International Economic Relations

Closed Economy
- low/No exports & imports
- No inflow/outflow of foreign capitalism.

Open Economy.
- Exports & Imports are there.
- inflow & outflow of foreign capitalism there.

* Indian Economic Sector

on the basis of nature of activities.
1. Primary Sector
2. Secondary Sector
3. Tertiary Sector.
   (I) Quarternary Sector
   (II) Quinary Sector

on the basis of work conditions
1. Organised sector
2. Unorganised Sector

on the basis of ownership.
1. Public Sector
2. Private Sector

on the basis of nature of activities —

1. <u>Primary Sector</u> - It is directly related with land & Allied Activities.
- Related with natural resources.
- Provides raw material to another sector.
- ex- Agriculture, Animal Husbandry, Fisheries, Mining, Forestary etc.
- Red collar workers.

2. <u>Secondary Sector</u> — Also called Industrial sector, Producing sector & Manufacturing sector.
- It uses raw materials from primary sector & convert it into finished or final products / Goods.
- Blue collar workers.
- ex- Sugar mill, Textile industries, electricity Generation & Construction of Roads. etc.

3. <u>Tertiary Sector</u> - Also called Service Sector.
- white collar workers.
- ex- Teaching, Banking, Insurance, Telecommunication, Transportation.

(i) <u>Quarternary Sector</u> - knowledge Based Sector
- ex- Teachers, Doctors, Research & Dev. etc

(ii) <u>Quinary Sector</u> - Highest Decision Makers.
- Gold collar workers.
- ex- Judges of supreme court / H.C, IAS officers, MoD & CEO of company.

* Current G.D.P Contribution in India.

(1) Primary Sector - 18.8%
(2) Secondary Sector - 28.2%
(3) Tertiary Sector - 53 %.

Total G.D.P - $ 3.469 Trillions.

* Labour Contribution in Indian G.D.P.

(1) Primary Sector - 42.6.
(2) Secondary Sector - 25.12.
(3). Tertiary Sector - 32.28.

* on the basis of work condition.

(1) Organised Sector
(2) Unorganised Sector

	Organised Sector	Unorganised Sector
• Terms of Employment.	✓	✗
• Govt. Rules	✓	✗
• Regular & Fixed Monthly Salary	✓	✗
• Job Security	✓	✗
• Extra facilities like Heath facilities & Pensions.	✓	✗

* on the basis of Ownership

- Public Sector - 51 % ↑
- Private Sector - 51 % ↑

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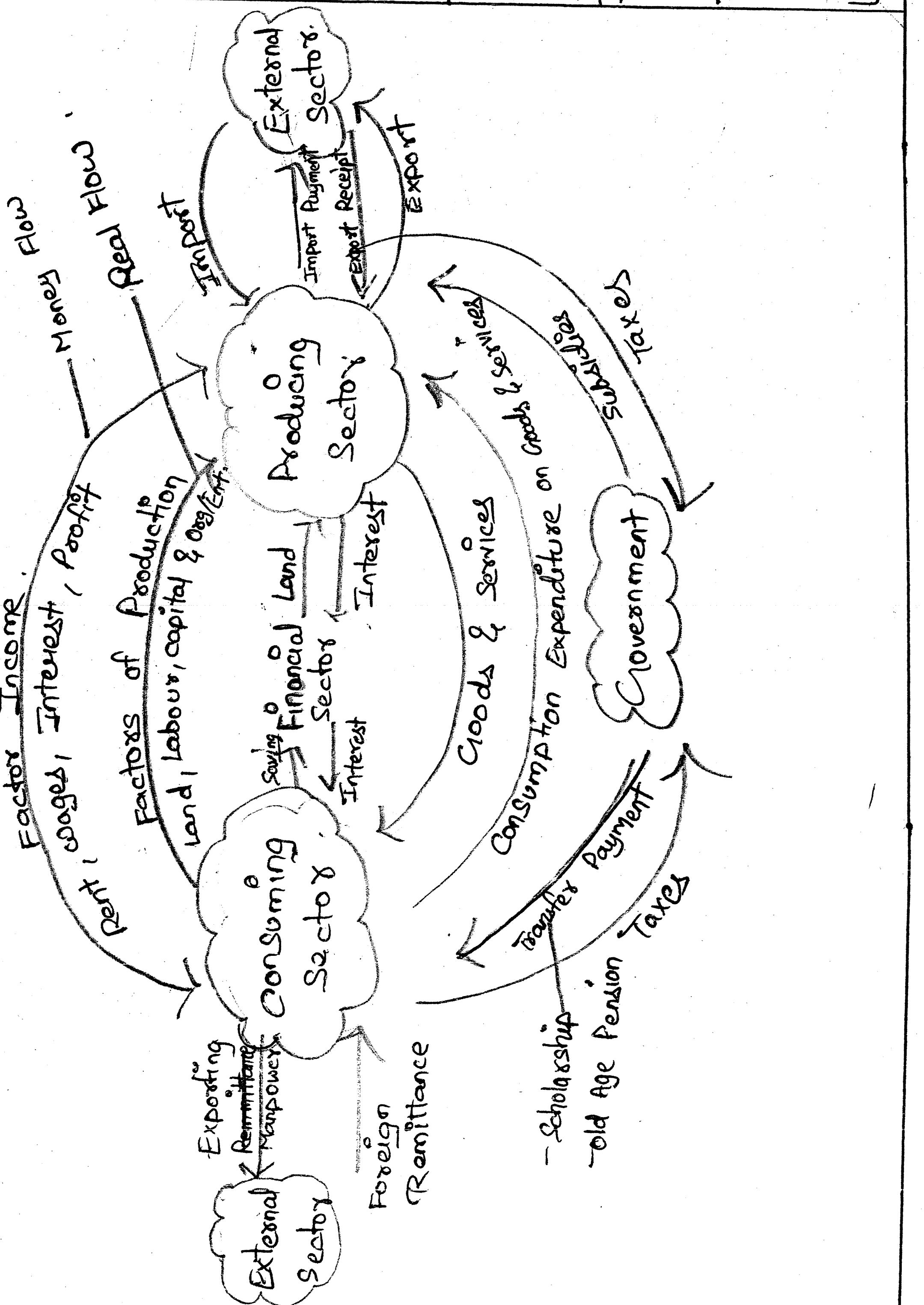
* World Bank classification of different countries (As Per Capita Income) on the basis of

Low Income	Lower Middle Income	Upper Middle Income	High Income
(≤ $1,085)	($1,086–4,255)	($4,256–13,205)	(≥ 13,206)
ex–	ex		
– Somalia	– Pakistan	– South Africa	– UK
– Afghanistan	– India	– Brazil	– US
– Zamalia	– Bangladesh	– China.	– Norway.

Circular Flow in Economy



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Real Flow - (Factors of Production) [Land, Labour, capital & E'nt) producing Sector to consuming Sector & return to that a flow of goods & Services from producing Sector to Consuming Sector.

Money Flow — It is the Flow of factor Income (Rent, wages, int, profit) from producing Sector to consuming Sector. & in return the flow of consumption expenditure on goods & Services from consuming Sector to producing Sector

Transfer Payment - The payment made by the govt. to the consuming Sector on behalf of which they do not provide any Services to the govt.

ex - Scholarship, Pension,

Foreign Remittence - The money which is transferred by the Indian Residence from Abroad.