H.K.E. SOCIETY'S

SMT. CHINNAMMA BASAPPA PATIL ARTS AND COMMERCE DEGREE COLLEGE, CHINCHOLI

DEPARTMENT OF ECONOMICS

LECTURE NOTE

Academic year -2024-25

Department of Economics

SEP- B.A Ist Semester

Lecture Notes

Paper – Micro Economics -I

✅Module 1: Introduction to Economics

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1. Definitions of Economics

□ Wealth Definition

Proposed by **Adam Smith**
Economics is the study of wealth.

□ Welfare Definition

Given by **Alfred Marshall**
Economics studies mankind in the ordinary business of life.

□ Scarcity Definition

Given by **Lionel Robbins**
Economics is the science which studies human behaviour as a relationship between ends and scarce means having alternative uses.

□ Growth Definition

Associated with **Paul Samuelson**
Focus on economic growth and development.

2. Nature and Scope of Economics

Nature:

- Social Science
- Positive & Normative
- Micro & Macro

Scope:

- Consumption
- Production
- Exchange
- Distribution
- Public Finance

3. Basic Tools of Economic Analysis

□ Variables

A variable is something that can change.

Types:

- Dependent variable
- Independent variable
- Endogenous
- Exogenous

□ Functional Relationship

Example:
$Qd = f(P, Y)$

□ Equations

Linear:
$Q = a + bP$

Non-linear:
$Q = aP^2$

Static, Dynamic & Comparative Statics

- **Static** – At a point in time
- **Comparative Static** – Comparison between two equilibrium positions
- **Dynamic** – Over time

4. Models in Economics

Meaning:
Simplified representation of reality.

Role:

- Predict behaviour
- Explain relationships
- Policy formulation

Example: Demand & Supply model.

5. Partial and General Equilibrium

Partial Equilibrium

Developed by **Alfred Marshall**
Studies one market at a time.

General Equilibrium

Developed by **Leon Walras**
Studies interrelationship among all markets.

6. Importance of Microeconomics

- Resource allocation
- Price determination
- Business decision-making
- Welfare analysis

Limitations:

- Unrealistic assumptions
- Ignores macro factors
- Static analysis

✅Module 2: Consumer Behaviour

1. Utility – Meaning

Utility is the want-satisfying power of a commodity.

2. Cardinal Utility Analysis

Utility measurable in numbers (utils).

Supported by **Alfred Marshall**

Law of Diminishing Marginal Utility

As consumption increases, marginal utility decreases.

3. Law of Equi-Marginal Utility

Consumer maximizes satisfaction when:

$MUx/Px = MUy/Py$

4. Consumer Surplus

Developed by **Alfred Marshall**

Consumer Surplus = Price willing to pay – Price actually paid.

5. Ordinal Utility Analysis

Utility cannot be measured but ranked.

Developed by:
J. R. Hicks and
R. G. D. Allen

6. Indifference Curve Theory

Assumptions:

- Rational consumer
- Diminishing MRS
- Consistency

Properties:

- Downward sloping
- Convex to origin
- Do not intersect

7. Budget Line

Represents combinations of goods consumer can afford.

8. Consumer Equilibrium

Condition:
MRSxy = Px/Py

9. Effects

Income Effect

Change due to income change.

Substitution Effect

Change due to relative price change.

Price Effect

Total effect of price change.

Revealed Preference Theory

Developed by **Paul Samuelson**

Consumer preferences revealed through choices.

✅Module 3: Demand and Supply

□ Demand

Meaning:
Quantity demanded at different prices.

Law of Demand

Inverse relationship between price and quantity demanded.

Determinants of Demand

- Price
- Income
- Tastes
- Prices of related goods
- Population

Elasticity of Demand

Price Elasticity:

$Ed = \%\Delta Q / \%\Delta P$

Income Elasticity

Cross Elasticity

Exceptions to Law of Demand

- Giffen goods
- Veblen goods
- Speculation

□ Supply

Meaning:
Quantity supplied at different prices.

Law of Supply

Direct relationship between price and supply.

Elasticity of Supply

$Es = \%\Delta Qs / \%\Delta P$

Short Run & Long Run Supply

Short Run:
At least one factor fixed.

Long Run:
All factors variable.

✅Module 4: Theory of Production

Production Function

$Q = f(L, K)$

Law of Variable Proportions

Three stages:

1. Increasing returns
2. Diminishing returns
3. Negative returns

Returns to Scale

- Increasing

- Constant
- Decreasing

Least Cost Combination

Occurs where:
MRTS = Factor Price Ratio

✅Module 5: Cost and Revenue Analysis

Cost Concepts

Money Cost

Actual monetary expenditure.

Real Cost

Effort & sacrifice.

Cost Curves

- Total Cost (TC)
- Average Cost (AC)
- Marginal Cost (MC)

Relationship:
MC cuts AC at minimum point.

Short Run Cost Curves

- U-shaped AC & MC
- AFC falls continuously

Long Run Cost Curves

- Envelope curve
- Economies & diseconomies of scale

□ Revenue Concepts

- Total Revenue (TR)
- Average Revenue (AR)
- Marginal Revenue (MR)

Firm Equilibrium

Condition:
MR = MC

Industry Equilibrium

Occurs when:
Demand = Supply

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Department of Economics

SEP- B.A IInd Semester

Lecture Notes

Paper – Micro Economics -II

✅Module 1: Theory of Price

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1. Elementary Theory of Price Determination

Price is determined by the interaction of demand and supply.

Equilibrium price:
Where Quantity Demanded = Quantity Supplied.

2. Cobweb Theorem

Explains price fluctuations in markets where production responds with a time lag (e.g., agriculture).

Types:

- Convergent Cobweb (stable)
- Divergent Cobweb (unstable)
- Continuous/Neutral Cobweb

Assumption:
Supply depends on previous year's price.

3. The Mark-Up Rule

Used in imperfect competition.

Price = Average Cost + Mark-up

Mark-up depends on:

- Market power
- Elasticity of demand

4. Bain’s Limit Pricing Theory

Developed by **Joe S. Bain**

Firms set price below monopoly price to prevent entry of new firms.

Concept:
Limit price = Highest price that deters entry.

5. Average Cost Pricing (Representative Firm Model)

Price equals Average Cost in the long run.

Common in:

- Public utilities
- Regulated industries

6. Price and Output Equilibrium

Firm equilibrium condition:
MR = MC

Industry equilibrium:
Demand = Supply

✅Module 2: Market Structure

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1. Perfect Competition

Characteristics:

- Large number of buyers and sellers
- Homogeneous product

- Free entry and exit
- Perfect knowledge

Price Determination:

Industry determines price; firm is price taker.

Equilibrium:
MR = MC

Long Run:
Normal profit only.

2. Monopoly

Meaning:
Single seller, no close substitutes.

Types:

- Pure monopoly
- Legal monopoly
- Natural monopoly

Equilibrium:

MR = MC
Price > MC

Leads to:

- Supernormal profits
- Deadweight loss

3. Monopolistic Competition

Introduced by **Edward Chamberlin**

Features:

- Many sellers
- Product differentiation
- Free entry

Short Run:
Supernormal profits possible.

Long Run:
Normal profits.

4. Duopoly

Market with two sellers.

Example:
Cournot model (output competition).

5. Oligopoly

Few firms dominate.

Features:

- Interdependence
- Price rigidity
- Non-price competition

Kinked demand curve model explains price rigidity.

6. Monopsony

Single buyer market.

Example:
Single employer in labour market.

Buyer has wage-setting power.

✅Module 3: Theory of Distribution – I

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1. Introduction

Distribution refers to pricing of factors of production.

2. Personal Distribution

Distribution of income among individuals.

3. Functional Distribution

Distribution among factors:

- Rent
- Wages
- Interest
- Profit

4. Classical Theory of Distribution

Associated with:
David Ricardo

- Rent determined by fertility
- Wages at subsistence level
- Profit residual

5. Modern Theory of Distribution

Based on Marginal Productivity Theory.

Factor price = Value of Marginal Product (VMP)

6. Factors Affecting Demand for Factors

- Demand for final goods
- Productivity

- Price of substitute factors
- Technology

✅Module 4: Theory of Distribution – II

□ Factors of Production

1. Land
2. Labour
3. Capital
4. Organization

□ Rent

Ricardian Theory of Rent

Proposed by **David Ricardo**

- Rent arises due to differential fertility
- Law of diminishing returns

Modern Theory of Rent

Rent = Surplus over transfer earnings.

Quasi Rent

Temporary surplus earned by man-made factors in short run.

Concept introduced by **Alfred Marshall**

□ Wages

Nominal Wage

Money wage.

Real Wage

Purchasing power of wage.

Marginal Productivity Theory of Wages

Wage = Value of marginal product of labour.

Modern Theory of Wages

Determined by:
Demand and Supply of labour.

□ Interest

Classical Theory

Interest = Reward for saving.

Modern Theory (Liquidity Preference Theory)

Given by **John Maynard Keynes**

Interest determined by:
Demand & Supply of money.

IS-LM Model

Developed by **John Hicks**

IS Curve → Goods market equilibrium
LM Curve → Money market equilibrium

□ Profit

Gross Profit

Includes wages of management, rent, interest.

Net Profit

Pure profit.

Risk & Uncertainty Theory

Given by **Frank H. Knight**

Profit arises due to uncertainty bearing.

✅Module 5: Welfare Economics & Economics of Risk

□ Welfare Economics

Study of economic well-being.

Social Welfare vs Economic Welfare

Economic welfare:
Material welfare.

Social welfare:
Broader concept including non-economic factors.

Pigou's Welfare Analysis

Developed by **A. C. Pigou**

Focus:

- Externalities
- Government intervention

Pareto Optimality

Proposed by **Vilfredo Pareto**

A situation where no one can be made better off without making someone worse off.

Economics of Risk & Uncertainty

Risk:

Probability known.

Uncertainty:

Probability unknown.

Gambling

Risk-loving behaviour.

Insurance

Risk-averse behaviour.

Economics of Information

Developed by **George Stigler**

Information is costly and affects market efficiency.

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DEPARTMENT OF ECONOMICS

NEP- B.A IIIrd semester

Lecture Notes

Paper – DSC -3.1 Micro Economics

✅UNIT – 1: BASICS OF MICROECONOMICS

□ Chapter 1: Exploring Microeconomics

1. Nature and Scope of Economics

Economics studies how individuals and societies allocate scarce resources among competing uses.

Microeconomics

Focuses on:

- Individual consumers
- Firms
- Markets
- Price determination

Positive vs Normative Economics

- Positive → What is?
- Normative → What ought to be?

2. Scarcity and Opportunity Cost

Scarcity

Resources are limited; wants are unlimited.

Opportunity Cost

The value of the next best alternative foregone.

Example:
If a farmer grows wheat instead of rice → opportunity cost = profit from rice.

3. Production Possibility Frontier (PPF)

PPF shows:
Maximum possible combinations of two goods produced with given resources and technology.

Features:

- Downward sloping (trade-off)
- Concave (increasing opportunity cost)
- Points inside → inefficient
- Points outside → unattainable

Reasons for shift:

- Increase in resources
- Technological progress

4. Market System

A system where:

- Prices are determined by demand and supply.

Functions:

- Resource allocation
- Price signaling
- Incentives

5. Welfare State

A state that:

- Promotes social justice
- Provides public goods
- Reduces inequality

Examples:

- Subsidies
- Public education
- Social security schemes

□ Chapter 2: Supply and Demand

1. Demand

Definition:
Quantity of a good consumers are willing and able to buy at various prices.

Determinants:

- Price
- Income
- Tastes
- Prices of related goods
- Expectations

Law of Demand

Price ↑ → Demand ↓ (ceteris paribus)

2. Supply

Definition:
Quantity producers are willing to sell at various prices.

Determinants:

- Price
- Cost of production
- Technology
- Taxes and subsidies

Law of Supply

Price ↑ → Supply ↑

3. Demand and Supply Schedules

- Individual demand vs Market demand
- Market demand = Horizontal sum of individual demands

4. Shifts in Curves

Increase in demand → Rightward shift
Increase in supply → Rightward shift

5. Equilibrium

Occurs where:
Demand = Supply

Determines:

- Equilibrium price
- Equilibrium quantity

Disequilibrium:

- Excess demand → Price rises
- Excess supply → Price falls

✅UNIT – 2: CONSUMPTION DECISIONS

□ Chapter 3: The Household

1. Diminishing Marginal Utility (DMU)

As consumption increases:
Marginal utility decreases.

Total Utility increases at diminishing rate.

2. Indifference Curve (IC)

Shows combinations of two goods giving equal satisfaction.

Properties:

- Downward sloping
- Convex to origin
- Higher IC → Higher satisfaction
- Do not intersect

3. Budget Constraint

Shows combinations affordable with given income and prices.

Equation:
Income = PxX + PyY

Slope:
–Px/Py

4. Consumer Equilibrium

Occurs where:
MRS = Price Ratio

At tangency of IC and Budget Line.

5. Income and Substitution Effects

When price falls:

- Substitution effect → Good becomes relatively cheaper
- Income effect → Real income increases

6. Leisure vs Consumption Choice

Individual allocates:

- Time between work and leisure
- Trade-off between income and free time

✅UNIT – 3: PRODUCTION AND COSTS

☐ Chapter 4: The Firm

1. Firm vs Industry

Firm → Single producer
Industry → Group of firms producing similar goods

2. Production Function

Q = f (L, K)

Shows relationship between inputs and output.

3. Law of Variable Proportions

Short-run concept.

Three stages:

1. Increasing returns
2. Diminishing returns
3. Negative returns

4. Isoquant

Shows combinations of inputs producing same output.

Properties:

- Downward sloping
- Convex
- Do not intersect

5. Isocost Line

Shows combinations of inputs costing same total expenditure.

6. Producer Equilibrium

Occurs where:
MRTS = Input Price Ratio

Isoquant tangent to isocost line.

7. Returns to Scale

Long-run concept.

- Increasing returns
- Constant returns
- Decreasing returns

8. Cobb-Douglas Production Function

$Q = A L^{\alpha} K^{\beta}$

Features:

- Constant elasticity of substitution
- Returns to scale depend on $\alpha + \beta$

□ Chapter 5: Cost of Production

1. Short Run Costs

- Fixed Cost (FC)
- Variable Cost (VC)
- Total Cost (TC = FC + VC)

Average Costs:

- AFC
- AVC
- ATC

Marginal Cost (MC)

Relationship:
MC cuts ATC and AVC at minimum point.

2. Long Run Costs

All inputs variable.

Long-run average cost curve:

- Envelope of short-run cost curves.

✅UNIT – 4: PRICING

□ Chapter 6: Market Structures

1. Perfect Competition

Features:

- Many buyers & sellers
- Homogeneous product
- Free entry and exit

Price determined by industry.

Firm is price taker.

Equilibrium:
MR = MC

2. Monopoly

Single seller.

Price maker.

Price > Marginal Cost.

Price Discrimination

Charging different prices for same product.

Types:

- First degree
- Second degree
- Third degree

3. Monopolistic Competition

Features:

- Product differentiation
- Many firms
- Free entry

Long-run:
Normal profits.

4. Oligopoly

Few firms.

Features:

- Interdependence
- Barriers to entry

Types:

- Collusive
- Non-collusive

5. Game Theory

Strategic interaction.

Concept:

- Prisoner’s Dilemma
- Nash Equilibrium

□ Chapter 7: Factor Pricing

1. Functional vs Personal Income

Functional:
Income to factors (wages, rent, etc.)

Personal:
Income received by individuals.

2. Marginal Productivity Theory

Factor price determined by:
Marginal Revenue Product (MRP)

MRP = MP × Price

3. Determinants of:

Rent:

- Scarcity
- Fertility

Wages:

- Skill
- Productivity
- Bargaining power

Interest:

- Time preference
- Capital productivity

Profits:

- Risk bearing
- Innovation

✅UNIT – 5: WELFARE ECONOMICS

□ Chapter 8: Welfare Economics

1. Meaning of Welfare

Welfare = Well-being of society.

2. Pigou's Welfare Economics

Developed by:
□ **Arthur Cecil Pigou**

Emphasized:

- Role of government
- Correction of externalities

3. Compensation Principle

Associated with:
□ **Nicholas Kaldor**
□ **John Hicks**

Change is desirable if:
Winners can compensate losers.

4. Externalities

Positive:

- Education

Negative:

- Pollution

5.Market Failure

Occurs when:
Market fails to allocate resources efficiently.

Reasons:

- Externalities
- Public goods
- Monopoly

✅UNIT – 6: ECONOMICS IN ACTION

□ Chapter 9: Economic Theory and Policy

1. Pricing Practices

- Cost-plus pricing
- Penetration pricing
- Predatory pricing

2. Basics of Monetary Policy

Controlled by:
□ **Reserve Bank of India**

Tools:

- Repo rate
- CRR
- OMO

3. Fiscal Policy

Government policy on:

- Taxation
- Expenditure
- Budget deficits

4. Controls and Regulations

- Price controls
- Licensing
- Anti-monopoly laws

5. Incentives and Penalties

Used to:

- Encourage production
- Control pollution
- Ensure compliance

6. Labour Policies

- Minimum wages
- Social security
- Employment laws

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DEPARTMENT OF ECONOMICS

NEP B.A IIIrd semester

Lecture Notes

Paper – DSC - 3. 2 Factor Pricing, General Equilibrium and Welfare Economics

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✅UNIT – 1: FACTOR PRICING

□ Chapter 1: Meaning and Significance of Factor Pricing

1. Meaning of Factor Pricing

Factor pricing refers to the determination of prices of factors of production:

- Land → Rent
- Labour → Wages
- Capital → Interest
- Entrepreneur → Profit

2. Significance

- Determines income distribution
- Influences production decisions
- Affects economic inequality
- Impacts economic growth

3. Functional vs Personal Income

Functional Income Distribution

Income distributed according to factors:

- Wages
- Rent
- Interest
- Profit

Personal Income Distribution

Income received by individuals or households.

4. Demand for Factors

Derived demand:
Demand for factors depends on demand for final goods.

In perfect competition:
MRP = MP × Price

In imperfect competition:
MRP = MP × MR

5. Supply of Factors

Depends on:

- Wage rate
- Alternative employment
- Preferences
- Mobility

□ Chapter 2: Factor Pricing in Perfect Competition

1. Marginal Productivity Theory (MPT)

Developed by neoclassical economists.

Core Idea:

A factor is paid according to its marginal revenue product.

Equilibrium condition:
MRP = Factor Price

For labour:
$W = MRP_l$

Assumptions:

- Perfect competition
- Homogeneous factors
- Full employment
- Diminishing marginal returns

Graph Explanation:

- Downward sloping MRP curve
- Upward sloping supply curve
- Intersection determines wage and employment

□ Chapter 3: Factor Pricing in Imperfect Markets

1. Monopsony Power

Monopsony:
Single buyer of labour.

Features:

- Upward sloping labour supply
- MFC > Wage

Equilibrium:
MRP = MFC

Wage paid < MRP

2.Trade Unions and Wage Determination

Trade unions:

- Collective bargaining
- Push wages above competitive level

Effects:

- Higher wages
- Possible unemployment

3. Bilateral Monopoly

Situation:

- One employer (monopsonist)
- One trade union

Wage determined by:
Bargaining power.

□ Chapter 4: Theories of Factor Rewards

□ THEORIES OF RENT

1. Ricardian Theory of Rent

Developed by:
□ **David Ricardo**

Core idea:
Rent arises due to differential fertility of land.

Key points:

- Rent is surplus
- No rent on marginal land

2. Modern Theory of Rent

Rent = Payment above transfer earnings.

Applies to all factors (economic rent).

3. Quasi Rent

Proposed by:
□ **Alfred Marshall**

Temporary surplus earned by man-made factors in short run.

□ THEORIES OF WAGES

1. Subsistence Theory

Associated with classical economists.

Wages tend toward minimum subsistence level.

2. Wage Fund Theory

Fixed wage fund divided among workers.

Criticized as unrealistic.

3. Residual Claimant Theory

Proposed by:
□ **Francis Amasa Walker**

Wages = Residual after other factors are paid.

4. Marginal Productivity Theory

Wage = MRP of labour.

5. Modern Theory of Wages

Wage determined by:

- Demand and supply of labour
- Institutional factors

□ THEORIES OF INTEREST

1. Classical Theory

Interest determined by:

- Demand (investment)

- Supply (savings)

Interest = reward for abstinence.

2. Keynesian Liquidity Preference Theory

Developed by:
□ **John Maynard Keynes**

Interest determined by:

- Demand for money
- Supply of money

Motives:

- Transaction
- Precautionary
- Speculative

□ THEORIES OF PROFIT

1. Dynamic Theory

Profits arise due to dynamic changes in economy.

2. Innovation Theory

Proposed by:
□ **Joseph Schumpeter**

Profit is reward for innovation.

3. Risk-Bearing Theory

Profit is reward for taking risks.

4. Uncertainty-Bearing Theory

Proposed by:
□ **Frank H. Knight**

Profit is reward for bearing uncertainty (not measurable risk).

✅UNIT – 2: GENERAL EQUILIBRIUM

□ Chapter 5: General Equilibrium Analysis

1. Circular Flow of Income

Two-sector model:

- Households
- Firms

Money flow and real flow.

2. Partial vs General Equilibrium

Partial:
Single market analysis.

General:
Simultaneous equilibrium in all markets.

3. Edgeworth Box (Exchange)

Used to show:

- Distribution between two individuals.

Pareto Optimality:
No one can be made better off without making someone worse off.

4. General Equilibrium in Production

Efficient allocation:
$MRTS_1 = MRTS_2$

5. Walrasian General Equilibrium

Developed by:
□ **Léon Walras**

All markets clear simultaneously.

Price adjustment via:
Tâtonnement (trial and error).

✓UNIT – 3: WELFARE ECONOMICS

□ Chapter 6: Welfare Concepts

1. Individual vs Social Welfare

Individual welfare:
Utility satisfaction.

Social welfare:
Sum of individual utilities.

2. Pigou's Welfare Economics

Developed by:
□ **Arthur Cecil Pigou**

Emphasized:

- Government intervention
- Correcting externalities

3. Social Welfare Function

Developed by:
□ **Paul Samuelson**

Represents society's preferences.

4. Kaldor-Hicks Compensation Principle

Developed by:
 Nicholas Kaldor
 John Hicks

A policy is desirable if gainers can compensate losers.

5. Arrow's Impossibility Theorem

Proposed by:
 Kenneth Arrow

No social decision rule can satisfy all fairness criteria simultaneously.

6. Theory of Second Best

If one optimal condition cannot be satisfied,
Second-best solution may require violating other conditions.

Chapter 7: Market Failure

1. Market Efficiency

Efficient when:
Price = Marginal Cost.

2. Reasons for Market Failure

- Externalities
- Public goods
- Monopoly power
- Incomplete markets

3. Coase Theorem

Proposed by:
 Ronald Coase

If property rights are well defined and transaction costs are zero,
Private bargaining leads to efficient outcome.

Chapter 8: Asymmetric Information

1. Meaning

One party has more information than another.

2. Adverse Selection

Before contract.

Example:
Used car market.

3. Moral Hazard

After contract.

Example:
Insurance fraud.

4. Agency Problem

Conflict between:
Principal and agent.

□ Chapter 9: Government Intervention

1. Need for Public Policy

To correct:

- Market failures
- Inequality
- Externalities

2. Price Ceiling & Floor

Ceiling:
Maximum price (rent control)

Floor:
Minimum price (minimum wage)

3. Taxes & Subsidies

Taxes:
Reduce negative externalities.

Subsidies:
Encourage positive externalities.

4. Tariffs & Quotas

Used in trade regulation.

5. Welfare Schemes

Justified by:

- Redistribution
- Social justice
- Poverty reduction

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DEPARTMENT OF ECONOMICS

NEP- B.A IIIrd semester

Lecture Notes

Paper - Open Elective - Rural Economics

✓UNIT – 1

□ Chapter 1: Introduction to Rural Economy

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1. Meaning of Rural Economy

A **rural economy** refers to economic activities carried out in rural areas, mainly based on:

- Agriculture
- Allied activities (dairy, fisheries, forestry)
- Rural industries

It focuses on improving the **living standards of rural population**.

2. Objectives of Rural Economy

- Reduce rural poverty
- Generate employment
- Increase agricultural productivity
- Promote rural industrialization
- Ensure inclusive and sustainable growth

3. Characteristics of Rural Economy

- Agriculture-dominated
- Low per capita income
- High dependency ratio
- Disguised unemployment
- Inadequate infrastructure

- Seasonal employment

4. Indicators of Rural Development

- Per capita income
- Literacy rate
- Life expectancy
- Access to drinking water
- Employment rate
- Poverty ratio

5. Inclusive and Sustainable Development

Inclusive Development

Growth that benefits all sections of society, especially:

- Women
- SC/ST communities
- Landless labourers

Sustainable Development

Development that meets present needs without compromising future generations.

Concept popularized by:
□ **World Commission on Environment and Development**

□ Chapter 2: Approaches to Rural Development

1. Gandhian Model

Proposed by:
□ **Mahatma Gandhi**

Features:

- Self-sufficient villages
- Cottage industries
- Decentralization
- Trusteeship

2. Community Development Approach (1952)

Objectives:

- Improve agriculture
- Promote local participation
- Develop infrastructure

Limitations:

- Bureaucratic control
- Lack of people's participation

3. Minimum Needs Approach (1970s)

Focused on:

- Elementary education
- Health
- Drinking water
- Rural roads

4. Integrated Rural Development Programme (IRDP)

Launched in 1978–80.

Objective:

- Provide asset-based assistance to poor families

Later integrated into:

- Self-employment programmes

5. Inclusive Growth Approach

- Financial inclusion
- Skill development
- Employment schemes
- Social protection

□ Chapter 3: Poverty and Unemployment in Rural India

1. Meaning of Poverty

Poverty means inability to meet basic needs.

Types:

- Absolute poverty
- Relative poverty

2. Measurement of Poverty

In India measured by:

- Consumption expenditure
- Poverty line estimates

Recent multidimensional poverty measured using:

- Health
- Education
- Living standards

3. Causes of Rural Poverty

- Low agricultural productivity
- Land fragmentation
- Indebtedness
- Illiteracy
- Population growth

4. Rural Employment

Farm Employment

- Crop production
- Dairy
- Fisheries

Non-Farm Employment

- Rural industries
- Construction
- Services

5. Types of Unemployment

- Seasonal
- Disguised
- Open unemployment

6. Poverty Alleviation & Employment Programmes

Wage Employment

- MGNREGS

Self-Employment

- NRLM
- PMEGP

Housing

- PMAY-Gramin

Food Security

- Public Distribution System

✅UNIT – 2

□ Chapter 4: Rural Enterprises

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1. Meaning

Rural enterprises are business activities located in rural areas.

Examples:

- Agro-processing
- Handloom
- Handicrafts

2. Importance

- Employment generation
- Reduces migration
- Promotes balanced regional growth

3. Classification of MSMEs

Defined under:
 Ministry of Micro, Small and Medium Enterprises

Categories:

- Micro
- Small
- Medium

Based on:

- Investment
- Turnover

4. Progress and Problems of MSMEs

Progress:

- Contribution to GDP
- Export earnings

Problems:

- Lack of credit
- Technology gaps
- Marketing constraints

5. Khadi and Village Industries

Promoted by:
 Khadi and Village Industries Commission

Objective:

- Promote rural employment
- Encourage traditional crafts

□ Chapter 5: Rural Banking and Finance

1. Credit Cooperative Societies

- Provide short-term loans
- Based on mutual cooperation

2. Regional Rural Banks (RRBs)

Established in 1975.

Objective:

- Provide banking services in rural areas

3. Role of NABARD

□ **National Bank for Agriculture and Rural Development**

Functions:

- Refinance support
- Rural credit planning
- Promote SHGs

4. Microfinance Institutions

Provide:

- Small loans
- Financial inclusion

Target group:

- Women
- Self-help groups

□ Chapter 6: Rural Infrastructure

1. Education & Health

- Primary schools
- PHCs
- Anganwadis

2. Housing and Sanitation

- PMAY-Gramin
- Swachh Bharat Mission (Gramin)

3. Drinking Water

- Jal Jeevan Mission

4. Rural Transport & Communication

- Pradhan Mantri Gram Sadak Yojana
- Mobile connectivity

5. Rural Electrification

- Saubhagya Scheme
- Renewable energy expansion

✓UNIT – 3

□ Chapter 7: Rural Development Programmes

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1. Wage Employment Programmes

- MGNREGS

2. Self-Employment & Entrepreneurship

- National Rural Livelihood Mission
- Skill development initiatives

3. Rural Housing

- PMAY-Gramin

4. Rural Sanitation

- Swachh Bharat Mission

□ Chapter 8: Rural Markets

1. Meaning

Rural markets facilitate:

- Sale of agricultural produce
- Purchase of consumer goods

2. Types

- Primary markets
- Secondary markets
- Regulated markets

3. Defects in Rural Markets

- Middlemen exploitation
- Lack of storage
- Price fluctuations

4. Government Measures

- Regulated markets (APMC)
- MSP
- Warehousing

5. Cooperative Marketing Societies

Promote:

- Fair prices
- Collective bargaining

6. e-NAM (Digital Marketing)

National Agriculture Market platform.

Benefits:

- Transparent pricing
- Wider market access

□ Chapter 9: Rural Governance

1. Panchayati Raj Institutions

Established through:
73rd Constitutional Amendment Act (1992).

Three-tier system:

- Gram Panchayat
- Panchayat Samiti
- Zilla Parishad

Functions:

- Rural development
- Local planning
- Welfare implementation

Revenue Sources:

- Taxes
- Grants-in-aid
- State transfers

2. Role of NGOs

- Awareness creation
- Capacity building
- Women empowerment

3. People's Participation

- Gram Sabha meetings
- Social audits
- Participatory planning

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DEPARTMENT OF ECONOMICS

NEP- B.A IVth semester

Lecture Notes

Paper – DSC -4.1 Macro Economics

✅UNIT – 1

THEORY OF NATIONAL INCOME DETERMINATION

□ Chapter 1: Classical Framework

1. Typical Features of Classical Theory of Employment

Classical economists include:

- **Adam Smith**
- **David Ricardo**
- **A. C. Pigou**

Main Features:

- Full employment is normal
- Wage-price flexibility
- Laissez-faire policy
- Supply creates its own demand
- Money is neutral

2. Assumptions of Classical Theory

- Perfect competition
- Flexible wages and prices
- No government intervention

- Closed economy
- Long-run analysis

3. Basis of Classical Theory

➢Say’s Law of Markets

Proposed by:
Jean-Baptiste Say

“Supply creates its own demand.”

Meaning:
Production generates income sufficient to purchase output.

Implication:
General overproduction is impossible.

➢Pigou’s Wage Flexibility

Real wage flexibility ensures:

- Labour demand = Labour supply
- Full employment

Unemployment exists only if wages are rigid.

➢Fisher’s Quantity Theory of Money

Proposed by:
Irving Fisher

Equation:
$MV = PT$

Where:
M = Money supply
V = Velocity
P = Price level
T = Transactions

Money affects only price level, not output.

➢Wicksell's Loanable Funds Theory

Proposed by:
Knut Wicksell

Interest rate determined by:

- Demand for investment
- Supply of savings

Natural rate vs Market rate of interest.

➢Classical Dichotomy

Real variables (output, employment) are independent of monetary variables (money supply, price level).

➢Neutrality of Money

Money affects only nominal variables, not real output.

4. Criticism of Classical Theory

Criticized by:
John Maynard Keynes

Major criticisms:

- Full employment unrealistic
- Say's law invalid
- Wage cuts may reduce demand
- Savings may not equal investment

□ Chapter 2: Keynesian Framework

1. Introductory Concepts

Why do incomes rise or fall?

Because:
Changes in aggregate demand affect output and employment.

Relationship:

Income = Output = Employment

Higher demand → Higher output → More employment.

2. Equilibrium and Identity

Equilibrium:
Planned expenditure = Output.

Identity:
Saving = Investment (ex-post).

3. Ex-ante and Ex-post

Ex-ante:
Planned values.

Ex-post:
Actual values.

□ Aggregate Demand (AD)

AD = C + I

Where:
C = Consumption
I = Investment

4. Consumption Function

C = a + bY

Where:
a = Autonomous consumption
b = MPC (Marginal Propensity to Consume)

MPC:

Change in consumption / Change in income

APC:

C / Y

Graph:
Upward sloping, less than 45° line.

5. Investment Function

Investment depends on:

- Rate of interest
- Marginal efficiency of capital

Savings–Investment relationship:
S = I (equilibrium condition).

□ Aggregate Supply (AS)

AS represents:
Total output produced.

With fixed prices:
AS curve is horizontal (short-run).

□ Effective Demand

Point where:
AD = AS

Determines:

- Equilibrium income
- Employment

□ Determination of National Income

(Two-Sector Model: C + I)

1. Using AD–AS Approach

Equilibrium:
Y = C + I

Substitute:
Y = a + bY + I

Y(1 – b) = a + I

Y = (a + I) / (1 – b)

2. Savings–Investment Approach

Equilibrium:
S = I

Since:
S = Y – C

Y – (a + bY) = I

Solve for Y.

Numerical Example

If:
a = 50
b = 0.8
I = 100

Y = (50 + 100) / (1 – 0.8)
Y = 150 / 0.2
Y = 750

✅UNIT – 2

AGGREGATE CONSUMPTION AND INVESTMENT

□ Chapter 3: Theories of Consumption

1. Keynesian Psychological Law

As income increases:
Consumption increases, but not proportionately.

Determinants:

- Income
- Wealth
- Expectations

2. Permanent Income Hypothesis

Proposed by:
Milton Friedman

Consumption depends on:
Permanent income, not current income.

Consumers smooth consumption over time.

□ Chapter 4: Investment

1. Types of Investment

- Autonomous
- Induced
- Public
- Private

2. Determinants of Investment

(a) Rate of Interest

Inverse relationship:
Interest ↑ → Investment ↓

(b) Marginal Efficiency of Capital (MEC)

Expected rate of return over cost.

Investment occurs when:
MEC > Interest rate.

□ Chapter 5: Multiplier and Accelerator

1. Investment Multiplier

Concept developed by:
John Maynard Keynes

Multiplier (K) = 1 / (1 – MPC)

If MPC = 0.8

K = 1 / 0.2 = 5

2. Leakages

- Savings
- Taxes
- Imports

Higher leakages → Lower multiplier.

✓UNIT – 3

MONETARY ECONOMICS

□ Chapter 6: Money Supply

1. Measures of Money Supply (RBI)

Controlled by:
Reserve Bank of India

Measures:

- M1 (Narrow money)
- M2
- M3 (Broad money)

- M4

M3 widely used.

2. Determinants of Money Supply

(a) High Powered Money (H)

Also called:
Monetary base.

Includes:

- Currency
- Bank reserves

(b) Money Multiplier (m)

m = 1 / Reserve Ratio

Money Supply:
M = m × H

3. Reserve Ratio and Deposit Multiplier

Higher CRR → Lower money supply
Lower CRR → Higher money supply

□ Chapter 7: Demand for Money

1. Cash Transactions Approach

Associated with:
Irving Fisher

Focus on transactions demand.

2. Cambridge Approach

Associated with:
Alfred Marshall

Equation:
M = kPY

3. Liquidity Preference Theory

Proposed by:
John Maynard Keynes

Motives:

- Transaction
- Precautionary
- Speculative

Interest rate determined by:
Money demand & supply.

□ Chapter 8: Inflation and Unemployment

1. Phillips Curve

Inverse relationship between:
Inflation and unemployment.

Short-run trade-off exists.

2. Wage Cut Theory

Classical view:
Reducing wages increases employment.

Keynesian criticism:
Wage cuts reduce aggregate demand.

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DEPARTMENT OF ECONOMICS

NEP-B.A IVth semester

Lecture Notes

Paper – DSC -4.1 Statistics for Economics

✓UNIT – 1: PRELIMINARIES

□ Chapter 1: Introduction to Statistics

1. Meaning of Statistics

The word “Statistics” is derived from the Latin word *Status* (state).

Definitions:

- According to **Horace Secrist**:
  Statistics are aggregates of facts affected to a marked extent by multiplicity of causes, numerically expressed, enumerated or estimated according to reasonable standards of accuracy.

2. Importance of Statistics

Statistics is important in:

- Economics (national income, inflation)
- Business (sales forecasting)
- Government planning
- Research and policy-making
- Social sciences

3. Functions of Statistics

1. Simplifies complex data
2. Presents facts in definite form

3. Facilitates comparison
4. Assists in forecasting
5. Helps in policy formulation

4.Types of Statistics

(A) Descriptive Statistics

Deals with:

- Collection
- Classification
- Presentation
- Analysis of data

Example: Mean, Median, Graphs.

(B) Inferential Statistics

Deals with:

- Drawing conclusions about population
- Hypothesis testing
- Estimation

5. Variables

A variable is a characteristic that changes.

(A) Qualitative Variable

Non-numerical
Examples:

- Gender
- Religion
- Education level

(B) Quantitative Variable

Numerical
Examples:

- Income
- Age

- Height

□ Chapter 2: Data Types, Sources and Collection

1. Types of Data

(A) Qualitative Data

Categorical data (e.g., marital status)

(B) Quantitative Data

Numerical data (e.g., wages)

2. Based on Time Dimension

(A) Cross-Section Data

Data collected at one point of time.

Example:
Income of 100 households in 2025.

(B) Time Series Data

Data collected over different time periods.

Example:
GDP from 2000–2025.

(C) Panel Data

Combination of cross-section and time series.

3. Sources of Data

(A) Primary Data

Collected first-hand.

(B) Secondary Data

Already collected by others.

Examples:

- Government reports
- RBI publications

4. Methods of Collecting Primary Data

1. Direct personal interview
2. Indirect oral investigation
3. Questionnaire method
4. Schedule method
5. Observation method

□ Chapter 3: Tabulation and Presentation of Data

1. Classification of Data

- Chronological
- Geographical
- Qualitative
- Quantitative

2. Tabulation

Systematic arrangement of data in rows and columns.

3. Frequency Distribution

(A) Discrete Frequency Distribution

Individual values with frequencies.

(B) Continuous Frequency Distribution

Class intervals (e.g., 0–10, 10–20).

4. Graphical Presentation

□ **Histogram**

- Used for continuous data
- No gaps between bars

□ **Frequency Polygon**

Line graph joining midpoints of histogram bars.

□ **Ogive Curve**

Cumulative frequency curve.

Two types:

- Less than ogive
- More than ogive

□ **Bar Diagram**

Used for categorical data.

□ **Pie Chart**

Circular chart showing proportions.

✅UNIT – 2

MEASURES OF CENTRAL TENDENCY & DISPERSION

□ Chapter 4: Arithmetic Mean

1. Meaning of Central Tendency

A single value representing the whole data.

Types:

- Mean
- Median
- Mode

2. Arithmetic Mean (AM)

Formula (Individual Series):

Mean = ΣX / N

For Frequency Distribution:

Mean = ΣfX / Σf

3. Properties of Arithmetic Mean

- Rigidly defined
- Easy to compute
- Based on all observations
- Algebraically treatable

□ Chapter 5: Median and Mode

1. Median

Middle value of data.

For Individual Data:

If N is odd:
Median = (N+1)/2 th item

If N is even:
Average of two middle values

For Continuous Series:

Median = L +
[(N/2 – cf) / f] × h

Where:
L = Lower class boundary
cf = Cumulative frequency
f = Frequency
h = Class width

2. Mode

Most frequent value.

For Continuous Series:

Mode = L +
$[(f_1 – f_0) / (2f_1 – f_0 – f_2)] \times h$

□ Chapter 6: Dispersion

1. Meaning

Dispersion shows the spread of data.

2. Measures of Dispersion

(A) Range

Range = Maximum – Minimum

(B) Quartile Deviation

$QD = (Q3 – Q1) / 2$

(C) Mean Deviation

$MD = \Sigma|X – Mean| / N$

(D) Standard Deviation (SD)

$SD = \sqrt{[\Sigma(X – Mean)^2 / N]}$

(E) Coefficient of Variation (CV)

$CV = (SD / Mean) \times 100$

Used for comparison.

✅UNIT – 3

CORRELATION, REGRESSION & TIME SERIES

□ Chapter 7: Correlation

1. Meaning

Correlation measures degree of relationship between two variables.

2. Types of Correlation

- Positive
- Negative
- Zero
- Perfect

3. Karl Pearson’s Correlation Coefficient

Developed by:
Karl Pearson

Formula:

$$r = \frac{\Sigma[(X - \bar{X})(Y - \bar{Y})]}{\sqrt{[\Sigma(X - \bar{X})^2 \, \Sigma(Y - \bar{Y})^2]}}$$

Value lies between:
-1 and +1

□ Chapter 8: Regression

1. Meaning

Regression shows functional relationship between variables.

Used for prediction.

2. Regression Equation

Y = a + bX

Where:
b = Regression coefficient

b = Cov(X,Y) / Var(X)

3. Applications in Economics

- Demand estimation
- Cost functions
- Forecasting sales
- Income-consumption relationship

□ Chapter 9: Time Series Analysis

1. Definition

A series of data arranged chronologically.

2. Components of Time Series

1. Trend (T)
2. Seasonal variation (S)
3. Cyclical variation (C)
4. Irregular variation (I)

3. Estimation of Trend

Methods:

- Moving averages
- Least squares method

Trend equation:

$Y = a + bt$

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DEPARTMENT OF ECONOMICS

NEP- B.A IVth semester

Lecture Notes

Paper- Open Elective - Karnataka Economy

✅UNIT – 1

KARNATAKA ECONOMY – AN OVERVIEW

Chapter 1: Characteristics of Karnataka Economy

1. Features of Karnataka Economy

Karnataka is one of the fastest-growing states in India with a diversified economy.

Major Features:

- Mixed economy (agriculture + industry + services)
- IT hub of India (Bengaluru)
- Regional imbalance (Hyderabad-Karnataka vs Old Mysore region)
- Rapid urbanization
- Service sector dominance

2.Trends and Sectoral Distribution of State Domestic Product (SDP)

Gross State Domestic Product (GSDP)

GSDP = Total value of goods and services produced within Karnataka.

Sectoral Distribution:

1. **Primary Sector** – Agriculture, forestry, fishing
2. **Secondary Sector** – Industry, manufacturing
3. **Tertiary Sector** – Services (IT, banking, tourism)

 Present Trend:

- Service sector contributes the highest share.
- Agriculture share declining but still employs large population.

3. Per Capita Income

Per Capita Income = GSDP / Population

- Karnataka’s PCI is higher than national average.
- Urban-rural income gap exists.

4. Measures to Redress Regional Imbalances

(A) Dr. M. Nanjundappa Committee Report

Committee headed by:
M. Nanjundappa

Objective:
Identify backward regions and recommend development funds.

Key Recommendations:

- Special grants for backward taluks
- Infrastructure development
- Education & health improvement

(B) Article 371J

Special constitutional provision for Hyderabad-Karnataka region.

Provides:

- Reservation in education & jobs
- Separate development board

□ Chapter 2: Human Resources

1. Importance of Human Resources

Human resources determine:

- Productivity
- Economic growth
- Innovation

2. Size and Health Indicators

Health Indicators:

- Life expectancy
- Infant mortality rate
- Maternal mortality rate

Karnataka performs better than many states but regional disparities exist.

3. Human Development Index (HDI)

HDI includes:

- Life expectancy
- Education
- Income

Karnataka ranks among higher HDI states in India.

4. Poverty and Unemployment

Causes:

- Rural distress
- Skill mismatch
- Regional imbalance

Eradication Programmes:

- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**

- **National Rural Livelihoods Mission (NRLM)**
- State self-employment schemes

□ Chapter 3: Natural Resources Management

1. Importance of Natural Resources

Karnataka has:

- Forests
- Minerals (iron ore, gold)
- Water resources
- Biodiversity

2. Major Natural Resources

- Iron ore (Ballari region)
- Gold (Kolar Gold Fields)
- Coffee (Kodagu)
- Forest reserves (Western Ghats)

3. Karnataka Environmental Policy

Focus areas:

- Sustainable development
- Forest conservation
- Pollution control
- Climate change mitigation

✅UNIT – 2

AGRICULTURE, RURAL DEVELOPMENT & INDUSTRIES

□ Chapter 4: Agriculture

1. Problems in Agriculture

- Dependence on monsoon
- Small landholdings
- Low productivity
- Price fluctuations
- Farmer indebtedness

2. Land Reforms

Objectives:

- Abolition of intermediaries
- Tenancy reforms
- Land ceiling

Improved land ownership distribution.

3. Cropping Pattern

Major crops:

- Rice
- Ragi
- Jowar
- Sugarcane
- Cotton
- Coffee

Shift towards commercial crops.

4. Irrigation

Importance:

- Reduces monsoon dependency
- Increases productivity

Major Projects:

- **Krishna Raja Sagara Dam**
- **Almatti Dam**
- **Tungabhadra Dam**

Watershed development programmes also implemented.

5. Farmers' Suicide

Causes:

- Crop failure
- Debt burden
- Price instability

Solutions:

- Crop insurance
- MSP
- Credit support
- Irrigation expansion

□ Chapter 5: Rural Development

1. Public Distribution System (PDS)

Provides subsidized food grains to poor families.

2. Rural Development Programmes (Brief)

- MGNREGA
- NRLM
- Housing schemes

3. Government Schemes for Rural Women

- Self-Help Groups (SHGs)
- Stree Shakti Programme
- Microfinance initiatives

□ Chapter 6: Industries in Karnataka

1. Major Industries

- Iron & Steel
- Cement
- Silk
- Sugar
- IT industry

2. IT Industry

Bengaluru is India’s IT capital.

Major companies:

- **Infosys**
- **Wipro**

3.MSMEs

Importance:

- Employment generation
- Regional development

Problems:

- Finance shortage
- Technology gaps

Measures:

- Subsidies
- Credit support

4. Industrial Finance

Institutions:

- **Karnataka State Financial Corporation**
- Commercial banks

5. Industrial Policy of Karnataka

Objectives:

- Promote investment
- Encourage MSMEs
- Boost exports
- Balanced regional growth

✅UNIT – 3

INFRASTRUCTURE & FINANCE

□ Chapter 7: Economic Infrastructure

1. Transportation

Road:

Extensive highway network.

Rail:

South Western Railway zone.

Air:

- **Kempegowda International Airport**
- Airports at Mangaluru, Hubballi, Belagavi.

2. Information & Communication Technology

- High internet penetration
- IT parks
- Digital governance initiatives

□ Chapter 8: Social Infrastructure

1. Drinking Water

Rural water supply schemes implemented.

2.Housing & Sanitation

- State housing schemes
- Swachh Bharat implementation

3. Health & Education

- Government hospitals
- Primary health centres
- Government schools
- Higher education institutions

4. Rural Electrification

Almost universal village electrification achieved.

□ Chapter 9: State Finance

1. Sources of Revenue

Direct Taxes:

- Stamp duty
- Motor vehicle tax

Indirect Taxes:

- GST
- Excise duty

2. Impact of GST on Karnataka

GST replaced:

- VAT
- Entry tax

Impact:

- Revenue restructuring
- Compensation mechanism

3. State Expenditure

Major heads:

- Education
- Health
- Infrastructure
- Welfare schemes

4. State Finance Commission

Recommends:

- Revenue sharing
- Grants to local bodies

5. Current State Budget (Brief)

Focus areas:

- Infrastructure
- Welfare schemes
- IT & innovation
- Rural development

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DEPARTMENT OF ECONOMICS

NEP- B.A V^{th} semester

Lecture Notes

Paper – ECO -C9 Public Economics

✓MODULE I

Introduction to Public Economics

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1. Meaning of Public Economics

Public Economics studies:

- Role of government in the economy
- Taxation and public expenditure
- Public debt and budget
- Market failures and welfare

It is also known as **Public Finance**.

2. Definitions

According to **Hugh Dalton**:

Public Finance is concerned with income and expenditure of public authorities and adjustment of one to the other.

According to **Richard Musgrave**:

Public finance studies the allocation, distribution, and stabilization functions of government.

3. Scope of Public Economics

- Public revenue (tax & non-tax)

- Public expenditure
- Public debt
- Budget
- Fiscal policy
- Federal finance

4. Public Finance vs Private Finance

Basis	Public Finance	Private Finance
Objective	Social welfare	Profit maximization
Compulsion	Tax is compulsory	Income voluntary
Transparency	Publicly accountable	Private
Borrowing	Large scale	Limited

5. Public Goods vs Private Goods

Public Goods

Examples:

- National defense
- Street lighting

Characteristics:

- Non-rivalry
- Non-excludability

Private Goods

Examples:

- Food
- Clothing

Characteristics:

- Rivalry
- Excludability

6.Principle of Maximum Social Advantage

Given by:
Hugh Dalton

Government should:

Maximize social benefit – social sacrifice.

Equilibrium occurs when:
Marginal Social Benefit = Marginal Social Sacrifice.

7. Market Failure

Meaning:

When free market fails to allocate resources efficiently.

Causes:

- Externalities
- Public goods
- Monopoly
- Information asymmetry

Externalities

Positive (e.g., education)
Negative (e.g., pollution)

8. Role of Government

- Tax/subsidy
- Regulation
- Public production
- Anti-monopoly laws

✓MODULE II

Public Revenue and Public Expenditure

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1. Public Revenue

Sources of Revenue

(A) Tax Revenue

- Income tax
- GST
- Corporate tax

(B) Non-Tax Revenue

- Fees
- Fines
- Profits from public enterprises

2. Canons of Taxation

Given by:
Adam Smith

1. Equality
2. Certainty
3. Convenience
4. Economy

3. Characteristics of Sound Tax System

- Equity
- Elasticity
- Simplicity
- Productivity

4. Impact and Incidence of Tax

- Impact: On whom tax is imposed
- Incidence: Who actually bears tax

5. Shifting of Tax

Forward shifting (to consumers)
Backward shifting (to producers)

6. Types of Taxes

(A) Progressive Tax

Tax rate increases with income.

(B) Proportional Tax

Constant rate.

(C) Regressive Tax

Tax rate decreases as income increases.

7. Direct vs Indirect Taxes

Direct Tax	Indirect Tax
Paid directly	Shifted
Example: Income tax	GST

Merits & Demerits to be explained in exams.

8.Taxable Capacity

Meaning:
Ability of people to pay tax.

Determinants:

- Income level
- Distribution of income
- Population

- Economic development

9. Public Expenditure

Meaning:

Government spending for public welfare.

Classification:

- Developmental
- Non-developmental
- Revenue & Capital
- Plan & Non-plan (earlier classification)

Principles / Canons

- Benefit principle
- Economy
- Sanction
- Maximum social advantage

Reasons for Growth of Public Expenditure

Wagner's Law

Given by:
Adolph Wagner

As economy grows, public expenditure increases.

Peacock-Wiseman Hypothesis

Proposed by:
Alan Peacock and
Jack Wiseman

Displacement effect:
During crisis, government spending increases permanently.

Effects of Public Expenditure

- Production effect
- Distribution effect
- Stabilization effect
- Employment effect

✅MODULE III

Public Debt

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1. Meaning of Public Debt

Borrowing by government to meet deficit.

2. Purpose

- Development projects
- War
- Budget deficit

3. Types of Public Debt

- Internal & External
- Short-term & Long-term
- Productive & Unproductive

4. Burden of Public Debt

Classical / Ricardian View

Associated with:
David Ricardo

Public debt is burden on society.

Keynesian View

Associated with:
John Maynard Keynes

Internal debt is not burden; it is transfer within society.

5. Intergenerational Equity

Future generations may bear tax burden of current debt.

6. Causes of Rise in Public Debt

- Fiscal deficit
- Wars
- Development expenditure
- Welfare schemes

7. Methods of Debt Redemption

- Sinking fund
- Conversion
- Refunding
- Budget surplus

8. Debt Management

- Maintain sustainable level
- Control interest burden
- Ensure productive use

✅MODULE IV

Public Budget, Fiscal Policy & Fiscal Deficit

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1. Budget

Meaning:
Annual financial statement of government.

Budget Process

- Preparation
- Presentation
- Approval
- Implementation
- Audit

Types of Budget

- Balanced budget
- Surplus budget
- Deficit budget
- Revenue & Capital budget
- Zero-based budget

2. Budget Deficits

- Revenue deficit
- Fiscal deficit
- Primary deficit

3. Fiscal Policy

Meaning:
Government policy relating to taxation and expenditure.

Objectives:

- Economic growth
- Price stability
- Employment
- Income equality

Tools:

- Taxation
- Public expenditure
- Public debt

4. Fiscal Deficit

Fiscal Deficit =
Total Expenditure – Total Receipts (excluding borrowings)

5. Deficit Financing

Meaning:
Government finances deficit by printing money or borrowing.

Advantages:

- Promotes growth
- Useful during recession

Disadvantages:

- Inflation
- Debt burden

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DEPARTMENT OF ECONOMICS

NEP-B.A Vth semester

Lecture Notes

Paper – ECO -C9-Development Economics

✓MODULE 1

Introduction to Economic Development

1.Concept and Definitions

Economic Growth

Economic growth refers to:

Increase in real national income or output over time.

It is **quantitative** in nature.

Economic Development

Economic development refers to:

Increase in income along with structural, institutional and social changes.

It is **quantitative + qualitative**.

2.Distinction between Growth and Development

Basis	Economic Growth	Economic Development
Nature	Quantitative	Quantitative + Qualitative
Focus	Increase in income	Improvement in living standards
Scope	Narrow	Broad

Basis	Economic Growth	Economic Development
Includes structural change	No	Yes

3. Indicators of Growth and Development

- GDP / GNP growth rate
- Per capita income
- Literacy rate
- Life expectancy
- Infant mortality rate
- Employment level

4. Measures of Economic Development

(A) Gross National Product (GNP)

Total value of goods and services produced by nationals of a country.

Limitation:
Does not measure income distribution or welfare.

(B) Physical Quality of Life Index (PQLI)

Developed by:
Morris D. Morris

Includes:

- Infant mortality rate
- Life expectancy
- Literacy rate

(C) Human Development Index (HDI)

Developed by:
United Nations Development Programme

Measures:

- Life expectancy
- Education
- Per capita income

Ranges from 0 to 1.

(D) Happiness Index

Measures:

- Life satisfaction
- Social support
- Freedom
- Corruption perception

Published by:
United Nations Sustainable Development Solutions Network

5. Inequality and Poverty

Meaning of Poverty

Inability to meet basic needs.

Causes of Poverty

- Low productivity
- Unemployment
- Inequality
- Population growth

Gini Coefficient

Measures income inequality.

Value ranges:
0 (perfect equality)
1 (perfect inequality)

Human Poverty Index (HPI)

Measures:

- Deprivation in life expectancy
- Knowledge
- Standard of living

✅MODULE 2

General Theories of Growth and Development

---

1. Adam Smith's Theory

- Division of labour
- Capital accumulation
- Invisible hand
- Laissez-faire

Growth driven by specialization.

2. David Ricardo's Theory

- Diminishing returns in agriculture
- Rent theory
- Stationary state

3. Thomas Robert Malthus's Theory

- Population grows geometrically
- Food supply grows arithmetically
- Leads to poverty

4. Karl Marx's Theory

- Surplus value
- Exploitation of labour
- Capitalism leads to crisis

5. Joseph Schumpeter's Theory

- Innovation is engine of growth
- Role of entrepreneur
- Creative destruction

6. Walt W. Rostow’s Stages of Growth

1. Traditional society
2. Pre-conditions for take-off
3. Take-off
4. Drive to maturity
5. Age of high mass consumption

7. Harrod-Domar Model

Developed by:
Roy F. Harrod and
Evsey Domar

Growth rate depends on:

Savings rate / Capital-output ratio

g = s / v

✅MODULE 3

Partial Theories of Development

---

1. W. Arthur Lewis Labour Surplus Model

- Dual economy
- Surplus labour in agriculture
- Transfer to industrial sector

2. Paul Rosenstein-Rodan Big Push Theory

- Large-scale investment needed
- Coordinated development

3.Harvey Leibenstein Critical Minimum Effort

- Minimum level of investment needed

- To break poverty trap

4. Balanced vs Unbalanced Growth

Balanced Growth

Simultaneous investment in many sectors.

Supported by:
Ragnar Nurkse

Unbalanced Growth

Investment in key sectors first.

Supported by:
Albert O. Hirschman

5. Factors in Development Process

- Capital accumulation
- Human capital
- Technology
- Institutions
- Infrastructure

Capital-Output Ratio

Measures efficiency of capital.

Lower ratio → Higher efficiency.

Technology & Development

Improves:

- Productivity
- Efficiency
- Global competitiveness

✅MODULE 4

Sustainable Development

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1. Inclusive Development

Growth with equity.

Focus on:

- Poverty reduction
- Gender equality
- Regional balance

2. Millennium Development Goals (MDGs)

Adopted by:
United Nations in 2000.

8 goals:

- Eradicate extreme poverty
- Universal primary education
- Gender equality
- Reduce child mortality
- Improve maternal health
- Combat diseases
- Environmental sustainability
- Global partnership

(2000–2015)

3. Sustainable Development Goals (SDGs)

Adopted in 2015 by:
United Nations

17 Goals:

- No poverty
- Zero hunger
- Good health
- Quality education
- Gender equality
- Climate action
- etc.

Time frame: 2015–2030

4. SDGs in India

India’s progress:

- Poverty reduction
- Improved sanitation
- Digital inclusion
- Renewable energy expansion

Challenges:

- Unemployment
- Climate change
- Inequality

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DEPARTMENT OF ECONOMICS

NEP-B.A Vth semester

Lecture Notes

Paper – ECO –C11- Indian Banking and Finance

✅MODULE I

Introduction to Banking in India

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1. Evolution of Indian Banking

Indian banking evolved through three phases:

1. **Pre-Independence Era** – Presidency banks
2. **Nationalisation Phase (1969 & 1980)**
3. **Liberalisation Phase (Post-1991 reforms)**

Major reforms were influenced by economic liberalization policies.

2. Structure of Indian Banking System

At the top:

Reserve Bank of India (RBI)

Below RBI:

- Commercial Banks
- Cooperative Banks
- Regional Rural Banks
- Small Finance Banks
- Payment Banks

3. Types of Banks in India

Public Sector Banks

Majority owned by Government of India.

Examples:

- **State Bank of India**
- **Punjab National Bank**

Strengths: Large network, trust
Weaknesses: High NPAs, slower decision-making

Private Sector Banks

Examples:

- **HDFC Bank**
- **ICICI Bank**

Strengths: Technology-driven, efficient
Weaknesses: Urban concentration

Foreign Banks

Examples:

- **HSBC**
- **Citibank**

Operate mainly in metro cities.

Regional Rural Banks (RRBs)

Example:

- **Karnataka Gramin Bank**

Focus on rural development.

Cooperative Banks

Owned by members.

Serve small borrowers & farmers.

□ Small Finance Banks

Serve small businesses & underserved sectors.

Example:

- **Ujjivan Small Finance Bank**

□ Payment Banks

Limited banking services.

Example:

- **Airtel Payments Bank**

Cannot give loans.

4. Role of Banks in Indian Economy

- Mobilize savings
- Provide credit
- Facilitate trade
- Promote financial inclusion
- Support economic development

5. Credit Creation

Banks create money through:

Deposit → Loan → Deposit cycle

Money Multiplier = 1 / CRR

6. Central Bank & Regulation

RBI regulates banking through:

- Licensing
- Inspection
- Monetary policy
- Prudential norms

7. Monetary Policy Tools

Policy Rates

- Repo Rate
- Reverse Repo Rate
- Bank Rate
- Marginal Standing Facility (MSF)

Reserve Ratios

- CRR (Cash Reserve Ratio)
- SLR (Statutory Liquidity Ratio)

MCLR

Marginal Cost of Funds Based Lending Rate.

8. Issues in Banking Sector

- Rising NPAs
- Capital adequacy issues
- Cyber fraud
- Impact of global crises (e.g., 2008 financial crisis, pandemic shocks)

✅MODULE II

Banking Services

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1. Bank Deposits

Types:

- Savings Account
- Current Account
- Fixed Deposit
- Recurring Deposit

2. Account Opening & KYC

KYC = Know Your Customer

Documents:

- Aadhaar
- PAN
- Address proof

Prevents money laundering.

3. Bank Loans

Types:

- Home loan
- Education loan
- Personal loan
- Business loan
- Gold loan

Loan Features:

- Interest rate
- Tenure
- EMI
- Collateral

Loan Default Consequences:

- Penalty charges
- Legal action
- CIBIL score impact

4. Other Banking Services

- Locker facility
- Remittance services (NEFT, RTGS, IMPS)
- Currency exchange
- Debit & Credit cards
- ATMs
- Internet banking
- Mobile banking

5.Modern Banking Products

- Insurance on deposits (via **Deposit Insurance and Credit Guarantee Corporation**)
- Mutual fund investments
- Retirement products
- Advisory services

✅MODULE III

Modern Banking

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1. Digital Banking

- Online account opening
- E-KYC
- UPI payments
- QR code payments

2. Digital Wallets

Examples:

- **Paytm**
- **PhonePe**

3. Contactless Payments

- NFC cards
- Tap-and-pay

4. Artificial Intelligence in Banking

Used for:

- Fraud detection
- Chatbots
- Credit scoring

5. Cybersecurity

Banks use:

- Encryption
- Two-factor authentication
- Firewalls

6. Corporate & Investment Banking

Corporate Banking:
Large-scale loans & project finance

Investment Banking:
IPO management, mergers

✅MODULE IV

Financial Markets

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1. Indian Financial Markets

Regulated by:

- **Reserve Bank of India**
- **Securities and Exchange Board of India**

2. Equity Markets

Stock exchanges:

- **Bombay Stock Exchange**
- **National Stock Exchange of India**

3. Debt Markets

- Government bonds
- Corporate bonds

4.Currency & Forex Markets

Currency trading regulated by RBI.

5. Commodity Markets

- Gold
- Silver
- Oil

Exchange:

- **Multi Commodity Exchange of India**

6. Derivatives Market

- Futures
- Options

Used for hedging & speculation.

7. Mutual Funds

Regulated by:
Securities and Exchange Board of India

8. Insurance Products

Regulated by:
Insurance Regulatory and Development Authority of India

9. Risks in Capital Markets

- Market risk
- Liquidity risk
- Credit risk
- Systemic risk

Fintech & Innovation

- Robo-advisory
- Blockchain
- Online IPO platforms.

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DEPARTMENT OF ECONOMICS

NEP- B.A VIth semester

Lecture Notes

Paper – ECO –C13 International Economics

✓MODULE I

International Trade Theories

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1. Meaning of International Trade

International trade refers to the exchange of goods and services between countries.

Example:
India exporting software services to the USA.

2. Importance of International Trade

- Efficient allocation of resources
- Specialization
- Access to foreign markets
- Technology transfer
- Economic growth

3. Differences between Internal and International Trade

Basis	Internal Trade	International Trade
Currency	Same currency	Different currencies
Mobility	Free mobility of factors	Restricted mobility
Laws	Same legal system	Different laws
Language	Usually same	May differ

4.Trade Theories

1. Mercantilist View

(16th–18th century)

- Wealth measured in gold & silver
- Encourage exports
- Discourage imports
- Favourable balance of trade

Criticism:
Ignores mutual benefits of trade.

2. Absolute Cost Advantage Theory

Proposed by:
Adam Smith

A country should specialize in producing goods where it has absolute cost advantage.

Limitation:
Fails if one country has advantage in all goods.

3.Comparative Cost Advantage Theory

Proposed by:
David Ricardo

Even if a country has absolute advantage in all goods, trade is beneficial if it has comparative advantage.

□ Based on relative cost differences.

4. Opportunity Cost Theory

Developed by:
Gottfried Haberler

Trade based on opportunity cost rather than labour cost.

More realistic and general theory.

5. Heckscher–Ohlin Theory

Developed by:
Eli Heckscher and
Bertil Ohlin

Countries export goods that use abundant factors intensively.

Example:
Labour-abundant countries export labour-intensive goods.

6. Leontief Paradox

Observed by:
Wassily Leontief

USA (capital abundant country) exported labour-intensive goods.

Contradicted Heckscher–Ohlin theory.

✓MODULE II

Terms of Trade & Commercial Policy

1.Terms of Trade (TOT)

Meaning:
Rate at which exports exchange for imports.

□ Types of Terms of Trade

1. Net Barter TOT
2. Gross Barter TOT
3. Income TOT
4. Single & Double Factorial TOT

□ Factors Determining TOT

- Demand elasticity
- Exchange rate
- Productivity
- Trade policies

2. Commercial Policy

Free Trade vs Protection

Free Trade

No restrictions on imports/exports.

Supported by classical economists.

Protection

Government restricts trade to protect domestic industries.

Tariffs

Tax on imports.

Types:

- Specific tariff
- Ad valorem tariff
- Protective tariff
- Revenue tariff

Effects:

- Raise prices
- Protect domestic producers
- Reduce imports

Quotas

Physical restriction on quantity of imports.

Anti-Dumping

Imposing duty on goods sold below cost.

□ Economic Integration

Meaning:
Agreement between countries to reduce trade barriers.

Stages of Integration

1. Free Trade Area
2. Customs Union
3. Common Market
4. Economic Union
5. Political Union

Example:
European Union

✓MODULE III

Balance of Payments & Capital Flow

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1. Balance of Payments (BOP)

Systematic record of all economic transactions between residents of a country and rest of world.

□ Components of BOP

1. Current Account
   - Trade balance
   - Services
   - Income
   - Transfers
2. Capital Account
   - FDI
   - Portfolio investment
   - Loans

□ Disequilibrium in BOP

Causes:

- Excess imports
- Inflation
- Capital outflow
- Exchange rate fluctuations

Measures to Correct BOP

- Devaluation
- Import restrictions
- Export promotion
- Monetary & fiscal policy

□ Foreign Exchange Rate

Price of one currency in terms of another.

Types:

- Fixed exchange rate
- Flexible exchange rate
- Managed float

□ Determination of Exchange Rate

Based on:

Demand for forex
Supply of forex

□ Purchasing Power Parity (PPP) Theory

Associated with:
Gustav Cassel

Exchange rate determined by relative price levels.

□ Capital Flow

Movement of capital across borders.

□ Forms of FDI

- Greenfield investment
- Brownfield investment
- Joint ventures

Advantages of FDI

- Technology transfer
- Employment
- Capital inflow

Disadvantages

- Profit repatriation
- Market domination
- Cultural influence

✅MODULE IV

International Finance & Trade Institutions

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1. Bretton Woods Institutions

Established in 1944.

International Monetary Fund (IMF)

International Monetary Fund

Objectives:

- Exchange rate stability
- BOP support
- Financial stability

World Bank (IBRD)

World Bank

Provides loans for development projects.

IDA

International Development Association

Provides concessional loans to poor countries.

IFC

International Finance Corporation

Promotes private sector development.

2. Evolution of WTO

Predecessor:
General Agreement on Tariffs and Trade (GATT)

Established in 1947.

World Trade Organization (WTO)

Established in 1995.

World Trade Organization

Objectives:

- Promote free trade
- Reduce tariffs
- Settle trade disputes

Main Agreements:

- Agriculture
- TRIPS
- TRIMS
- GATS

WTO & Developing Countries

Benefits:

- Market access
- Dispute settlement

Challenges:

- Agricultural subsidies
- Unequal bargaining power

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DEPARTMENT OF ECONOMICS

NEP-B.A VIth semester

Lecture Notes

Paper – ECO –C14 - Indian Public Finance

✓MODULE I

Public Revenue

□ Meaning of Public Revenue

Public Revenue refers to the income earned by the government to finance its expenditure.

□ Sources of Public Revenue

1. Tax Revenue

2. Non-Tax Revenue

1. Tax Revenue

Compulsory payment made by citizens to the government without direct benefit.

Classification:

- Direct Taxes
- Indirect Taxes

□ Trends and Patterns of Tax Revenue in India

- Increasing share of direct taxes in recent years
- GST has become major indirect tax source

- Digitalization improved compliance
- Rise in corporate and income tax collections post reforms

Tax collection administered by:
Central Board of Direct Taxes (CBDT)
Central Board of Indirect Taxes and Customs (CBIC)

Direct Taxes in India

Tax burden cannot be shifted.

Examples:

- Personal Income Tax
- Corporate Tax

Personal Income Tax

Tax paid by individuals on income.

Administered under Income Tax Act, 1961.

Features:

- Progressive tax system
- Different slabs
- Deductions under various sections

Corporate Tax

Tax on profits of companies.

Features:

- Different rates for domestic and foreign companies
- Concessional tax regime introduced in 2019
- Encourages investment and manufacturing

Indirect Taxes in India

Tax burden can be shifted.

Earlier Indirect Taxes

VAT (Value Added Tax)

Introduced before GST at state level.

MODVAT

Modified VAT system for excise duties.

□ Goods and Services Tax (GST)

Introduced in 2017.

Administered by:
Goods and Services Tax Council

Objectives of GST

- One Nation One Tax
- Eliminate cascading effect
- Improve tax compliance
- Boost economic growth

Classification of GST

- CGST
- SGST
- IGST
- UTGST

GST Tax Rates

- 0%
- 5%
- 12%
- 18%
- 28%

Impact of GST on Indian Economy

Positive:

- Formalization of economy
- Increased transparency

- Improved logistics

Challenges:

- Initial compliance burden
- Technical issues
- Revenue fluctuations

Tax Reform Commissions

Example:
Raja Chelliah Tax Reforms Committee (1991)

✅MODULE II

Public Expenditure

□ Meaning of Public Expenditure

Spending made by government for public welfare.

□ Classification of Public Expenditure

1. Revenue Expenditure
2. Capital Expenditure

□ Revenue Account Expenditure

- Salaries
- Subsidies
- Interest payments
- Defence revenue expenses

Trend: Increasing due to welfare schemes.

Capital Account Expenditure

- Infrastructure
- Roads
- Railways
- Defence capital

Promotes long-term growth.

FRBM Act

Fiscal Responsibility and Budget Management Act

Objectives:

- Reduce fiscal deficit
- Ensure fiscal discipline
- Improve transparency

Expenditure Reforms Commission (ERC)

Set up to rationalize government expenditure.

Union Budget

Presented annually by Finance Minister.

Prepared by:
Ministry of Finance

Meaning of Budget

Statement of estimated revenue and expenditure for financial year.

Types of Budgets

- Balanced Budget
- Surplus Budget
- Deficit Budget
- Zero-Based Budget

Composition of Union Budget

1. Revenue Budget
2. Capital Budget

Concepts of Deficits

1. Revenue Deficit
2. Fiscal Deficit
3. Primary Deficit

✅MODULE III

Public Debt and Its Management

□ Meaning of Public Debt

Borrowings by government to meet expenditure.

Sources of Public Borrowings

- Internal debt (bonds, treasury bills)
- External debt (foreign loans)

Classification of Public Debt

- Short-term
- Long-term
- Internal
- External
- Productive & Unproductive

Main Characteristics of Indian Public Debt

- High internal debt component
- Market borrowings dominant
- Rising interest burden

□ Crowding Out Effect

Government borrowing reduces private investment due to higher interest rates.

Causes of Public Debt in India

- Fiscal deficit
- Defence expenditure
- Welfare schemes
- Infrastructure projects

Burden of Public Debt

Internal Debt Burden

Transfer within country.

External Debt Burden

Repayment in foreign currency.

Principles of Public Debt Management

- Low cost borrowing
- Risk minimization
- Debt sustainability

Debt management handled by:
Reserve Bank of India

Finance Commission in India

Constitutional body under Article 280.

Recommends:

- Tax sharing between Centre and States
- Grants-in-aid

Recent example:
Fifteenth Finance Commission

✅MODULE IV

Fiscal & Monetary Policy and Federal Finance

□ Fiscal Policy in India

Meaning:
Government policy relating to revenue and expenditure.

Objectives

- Economic growth
- Price stability
- Employment generation
- Income redistribution

Tools of Fiscal Policy

- Taxation
- Public expenditure
- Public debt

□ Monetary Policy in India

Controlled by:
Reserve Bank of India

Objectives

- Control inflation
- Maintain financial stability
- Promote growth

Tools of Monetary Policy

- Repo rate
- Reverse repo rate
- CRR
- SLR
- Open Market Operations

□ Indian Federal Finance

Meaning

Financial relations between Centre and States.

Allocation of Resources

Based on:

- Union List
- State List
- Concurrent List

(As per Constitution of India – Seventh Schedule)

Principles of Federal Finance

- Equity
- Efficiency
- Adequacy
- Elasticity

Shortcomings

- Vertical imbalance
- Horizontal imbalance
- Dependence on central transfers

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DEPARTMENT OF ECONOMICS

NEP-B.A VIth semester

Lecture Notes

Paper – ECO –C15 - Economic Thought of Dr. B.R. Ambedkar

✅MODULE I

Ambedkar’s Views on Economy, Society and Equity

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1. Socio-Economic-Political Context of India during Ambedkar’s Period

- British colonial rule
- Land revenue exploitation
- Zamindari system
- Extreme caste discrimination
- Industrial backwardness
- Low literacy and poverty

India was characterized by:

- Social hierarchy
- Economic inequality
- Political exclusion

2. Brief Outline of Ambedkar’s Life and Career

B. R. Ambedkar (1891–1956)

- Economist, jurist, social reformer

- Architect of the Indian Constitution
- Chairman of the Drafting Committee
- First Law Minister of India
- Educated at Columbia University & London School of Economics

Major works:

- *The Problem of the Rupee*
- *Annihilation of Caste*
- *States and Minorities*

3. Ambedkar's Views on Economy and Society

- Economy cannot be separated from social structure
- Caste system causes economic inefficiency
- Social inequality leads to poverty and underdevelopment
- Economic democracy must accompany political democracy

He believed:

"Political democracy cannot last unless there lies at the base of it social democracy."

4.Role of the State

- Strong and active state
- State must ensure social justice
- Regulation of economy
- Protection of labour and weaker sections

Ambedkar supported **state intervention** to correct market failures.

5. Socialism and State Socialism

Ambedkar proposed **State Socialism** in *States and Minorities* (1947).

Key features:

- Nationalization of land
- Collective farming
- State ownership of key industries
- Insurance as state monopoly

Unlike Marxism, his socialism was constitutional and democratic.

6. Women Empowerment

- Advocated equal property rights
- Supported maternity benefits
- Opposed child marriage
- Promoted female education

He introduced reforms through the **Hindu Code Bill** to improve women's rights.

7. Objectives of Economy: Growth & Equity

Ambedkar emphasized:

- Economic growth
- Equitable distribution
- Social justice
- Removal of caste discrimination

8. Economics of Caste

- Caste restricts labour mobility
- Division of labour becomes division of labourers
- Results in inefficiency
- Leads to discrimination and deprivation

9. Constitutional Provisions for Equality

Under the **Constitution of India**:

- Article 14 – Equality before law
- Article 15 – Prohibition of discrimination
- Article 17 – Abolition of untouchability
- Reservation policy (affirmative action)

✅MODULE II

Ambedkar’s Thoughts on Agriculture

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1. Agrarian Economy

Ambedkar viewed Indian agriculture as:

- Fragmented
- Overcrowded
- Low productivity
- Disguised unemployment

2. Consolidation of Land Holdings

- Fragmented holdings reduce productivity
- Supported consolidation for efficiency

3. Comparison with Ricardo

David Ricardo

Ricardo:

- Emphasized rent theory

Ambedkar:

- Focused on structural reforms
- Highlighted social aspects of land ownership

4. Collective Farming

- Proposed state ownership of land
- Farmers to work collectively
- Ensure fair distribution of output

5. Nationalization of Land

- Land to belong to state
- Lease to cultivators
- Prevent concentration of land

6. Landlessness

- Major cause of poverty
- Supported land ceiling

7. Surplus Labour & Capital Formation

- Surplus labour in agriculture should move to industry
- Industrialization essential for capital formation

✓MODULE III

Ambedkar on Industrialisation and Planning

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1. Ideas on Industrialisation

Ambedkar strongly supported rapid industrialization.

He stated:

“Industrialize or perish.”

Reasons:

- Absorb surplus labour
- Reduce pressure on agriculture
- Increase productivity

2. Types of Industries

- Heavy industries
- Public sector industries
- Basic industries

Favoured large-scale industries for faster development.

3. Labour Reforms

As Labour Member of Viceroy’s Council:

Reforms introduced:

- 8-hour working day
- Maternity benefits
- Minimum wages
- Employees’ insurance

He opposed labour exploitation.

4. Social Security

- Provident fund
- Insurance
- Protection for workers

5. Planning

Supported economic planning.

Key focus areas:

- Irrigation
- Power sector
- Water resource management
- River linking

✅MODULE IV

Ambedkar’s Contribution to Fiscal and Monetary Economics

Fiscal Economics

Ambedkar studied:

- Provincial finance
- Centre-State financial relations
- Public revenue systems

Canons of Expenditure

- Equity
- Economy
- Efficiency
- Public welfare

Monetary Economics

Major work:
The Problem of the Rupee

Price Stability

- Criticized Gold Exchange Standard
- Emphasized stable currency

Exchange Rate Stability

- Opposed arbitrary currency expansion
- Supported strong central banking

Currency Reform

His recommendations influenced establishment of:

Reserve Bank of India (1935)

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