ECONOMIC AND SOCIAL DEVELOPMENT

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1. Basic Concepts of Economics and Economic Development

Basic Concepts of National Income (GDP, GNP, NNP, Per Capita Income)

1. **Gross Domestic Product (GDP):** Total market value of all final goods & services produced within the geographic boundaries of a country in a given period (usually one year).
2. **Nominal GDP:** GDP measured at current market prices; reflects price changes along with output changes.
3. **Real GDP:** GDP measured at constant prices (using a base year) to remove the effect of inflation; reflects actual changes in output.
4. **GDP Deflator:** A measure of the overall level of prices (inflation) calculated as (Nominal GDP / Real GDP) x 100.
5. **Gross National Product (GNP):** GDP + Net Factor Income from Abroad (NFIA). Represents the total income earned by a country's

residents (nationals), both domestically and abroad.
    - **NFIA:** Income earned by resident factors of production from the rest of the world minus income earned by non-resident factors of production from the domestic economy.
6. **Net National Product (NNP):** GNP - Depreciation (Consumption of Fixed Capital). Represents the net output available to the economy after accounting for the wear and tear of capital goods.
7. **National Income (NI) / NNP at Factor Cost:** NNP at Market Price - Net Indirect Taxes (Indirect Taxes - Subsidies). It is the sum of all factor incomes (wages, rent, interest, profit) accruing to the residents of a country.
8. **Market Price (MP):** Factor Cost + Net Indirect Taxes (Indirect Taxes - Subsidies).
9. **Factor Cost (FC):** The cost of factors of production (land, labor, capital, entrepreneurship) used to produce goods and services.
10. **Per Capita Income (PCI):** National Income / Total Population. Indicates the average income per person in a country.
11. **Domestic Income:** GDP at Factor Cost. Refers to the income generated within the domestic territory of a country.
12. **Personal Income:** Total income received by individuals from all sources, before direct personal taxes. Derived from National Income by adding transfer payments and subtracting corporate retained earnings and corporate taxes.
13. **Disposable Personal Income:** Personal Income - Personal Direct Taxes. The actual income available to households for consumption or saving.
14. **Limitations of GDP as a welfare indicator:** Does not account for income inequality, non-market transactions (e.g., household work), externalities (e.g., pollution), quality of life, black money.

Basic Understanding of Economic Reforms (Liberalisation, Privatisation, Globalisation)

- **Economic Reforms (1991 - LPG)**

  Initiated in response to 1991 Balance of Payments crisis. Pillars: Liberalisation, Privatisation, Globalisation.

- **Liberalisation**
    - **Industrial Sector**

      Abolition of industrial licensing (except few strategic/hazardous industries).
    - **Financial Sector**

      RBI's role changed from regulator to facilitator; entry of private sector banks.
    - **Tax Reforms**

      Reduction in direct and indirect taxes.
    - **Foreign Exchange Reforms**

      Devaluation of Rupee; market-determined exchange rate.
    - **Trade & Investment Policy**

      Removal of quantitative restrictions (QRs) on imports; reduction in customs duties; promotion of Foreign Direct Investment (FDI) & Foreign Institutional Investment (FII).
- **Privatisation**
    - Reduced government ownership and control over Public Sector Undertakings (PSUs).
    - Methods: Disinvestment (selling shares of PSUs to private sector), outright sale of PSUs.
- **Globalisation**
    - Integration of domestic economy with the world economy.
    - Achieved through increased trade, capital flows (FDI, FII), technology transfer, and movement of people.

PSCNotes are available at https://pscnotes.com

- **Related Developments & Initiatives (Post-Reform Era)**
  - **Startup Ecosystem**
    - **Startup India Seed Fund Scheme (SISFS)**

      Provides financial assistance for 'proof of concept' trials, prototype development, market entry.
    - **Fund of Funds Scheme (FFS) for Startups**

      Contributes to various SEBI-registered Alternative Investment Funds (AIFs) that invest in startups.
    - **Mentorship, Advisory, Assistance, Resilience and Growth (MAARG) program**

      A cross-sectoral platform for guiding startups (not exclusive to AI).
    - **National Institute of Agricultural Extension Management (MANAGE)**

      Involved in the selection process for the Startup India Agri-Business Incubation Program.
  - **Intellectual Property Rights (IPR)**
    - **Copyright**

      Protected automatically upon creation without mandatory registration.
    - **Patent, Industrial Design, Trademark**

      Generally require registration for protection.
  - **Economic Advisory Council to the Prime Minister (EAC-PM)**
    - **Chairman**

      Bibek Debroy.

Central Problems of an Economy

- Economic activities require various inputs, often categorized as factors of production: Land, Labour, Capital, and Raw Materials.
- A central problem of an economy is "How to Produce?", which involves selecting the most efficient combination of these inputs for production.
- The relative requirement of specific inputs varies significantly across different types of economic activities.
- Compared to farming activities, non-farming activities (e.g., manufacturing, services) typically require a lesser quantity of land as a primary input.

Human Capital Formation: Concept and Importance

1. **Human Capital Formation (HCF): Concept**
   - **Refers to the stock of skills, knowledge, abilities, and health that individuals possess, which contribute to their productive capacity and economic value.**
   - **Involves investments in people through education, health, and training to enhance their capabilities.**
2. Importance of Human Capital & Its Components
   - Education & Skills
     - Specialized technical, scientific knowledge, and administrative skills are crucial for societal and industrial progress.
     - James Burnham, in his book ‘The Managerial Revolution’, argued that a managerial class dominates industrial societies (capitalist and communist) due to its technical, scientific knowledge, and administrative skills.
     - Enables individuals to achieve their full potential.
   - **Health**

     (A critical component of HCF)
     - According to the

World Development Report 1993, improved health contributes to economic growth in several ways:

- **Reduces production losses caused by worker illness.**
- **Permits the use of natural resources that were previously inaccessible due to disease.**
- **Decreases resource allocation for treating illness, freeing up resources for alternative productive uses.**

- **For conditions like Autism, scientific management and evidence-based therapies are vital for patients to achieve their full potential.**
- **Parents are considered the best asset for a child with Autism in their journey.**
- **Families must educate themselves about Autism and rely on practices grounded in science.**
- **Evidence-based therapies empower and inform parents of children diagnosed with Autism Spectrum Disorder (ASD).**

3. Challenges & Ethical Considerations in HCF (Health Sector)
   - Unethical Practices
     - "Predatory marketing" specifically refers to unethical efforts by unlicensed clinics to lure gullible parents to seek cures for commonly incurable conditions (e.g., Autism).
     - Stem cell therapy for treating Autism is NOT approved by the National Medical Commission (NMC), and there is no strong evidence supporting its approval.
     - There is a need for government regulations to stop the spread of clinics engaging in unproven or unethical practices.
4. **Miscellaneous Facts (as per MCQ requirements)**
   - Dr. Ramesh Chandra Mehrotra was a scholar of Hindi.
   - Pandit Bhimsen Joshi was instrumental in organising the Sawai Gandharva Music Festival as homage to his guru, Sawai Gandharva.
   - Pandit Bhimsen Joshi was a contemporary of Gangubai Hangal, a singer of the Kirana gharana of Hindustani classical music.

Human Development Index (HDI) and other Development Indicators (PQLI, GDI, MPI)

• Human Development Index (HDI)

- Introduced by UNDP in 1990.
- Co-created by Mahbub ul Haq and Amartya Sen.
- Amartya Sen was awarded the Nobel Prize for his contribution to Welfare Economics.
- Measures human development across three dimensions: Long and healthy life (Health), Knowledge (Education), and Decent standard of living (Income).
- Indicators: Life Expectancy at Birth (Health), Mean and Expected Years of Schooling (Education), Gross National Income (GNI) per capita (PPP $) (Income).
- Ranges from 0 to 1; higher value indicates greater human development.

• Physical Quality of Life Index (PQLI)

- Developed by Morris D. Morris in the mid-1970s.
- Components: Life Expectancy at Age One, Infant Mortality Rate, Basic Literacy Rate.
- Ranges from 0 to 100; higher value indicates better quality of life.
- Critique: Does not include an income/economic dimension.

• Gender Development Index (GDI)

- Introduced by UNDP in 1995.

- Measures gender gaps in human development achievements (Health, Education, Income) using the same HDI dimensions.
- It is not a standalone measure of gender inequality but indicates the impact of inequality on human development.

- **Multidimensional Poverty Index (MPI)**
  - Developed by Oxford Poverty and Human Development Initiative (OPHI) and UNDP in 2010.
  - Replaced the Human Poverty Index (HPI).
  - Identifies deprivation across three dimensions: Health (Nutrition, Child Mortality), Education (Years of Schooling, School Attendance), and Standard of Living (Cooking Fuel, Sanitation, Drinking Water, Electricity, Housing, Assets).
  - A person is considered multidimensionally poor if deprived in at least 1/3 of the weighted indicators.
- **Gross National Happiness (GNH)**
  - Bhutan is the only country to officially proclaim GNH as its measure of progress.
- **Food and Nutrition Initiatives**
  - **Fortification**

    Practice of deliberately increasing essential micronutrient content (vitamins, minerals) in food.
  - **Biofortification**

    Aims to increase nutrient levels in food crops mainly through conventional plant breeding or modern biotechnology (not manual means during processing).
  - Biofortification is possible for crops such as rice, beans, sweet potato, and legumes.
- **Innovation and Technology**
  - **India Innovation Index**

    Released by NITI Aayog.
  - Determines innovation capacities at the sub-national level.
  - In 2022, India ranked 40th in the Global Innovation Index (GII), not among the top 25 nations.
  - **National Innovation Foundation - India (NIF)**
    - Autonomous body under the Department of Science and Technology (DST), Government of India.
    - Established in 2000.
    - Mission: Foster a creative and knowledge-based society by expanding policy and institutional space for grassroots technological innovators.
    - Organizes IGNITE, an annual national competition to harness the creative and innovative spirit of school children.
    - Maintains a database of over 2,00,000 technological ideas.
    - Micro Venture Innovation Fund (MVIF), set up at NIF with support from SIDBI, provides risk capital for incubated projects.
  - **Information and Communication Technology (ICT) in Education**

    Use of ICT in teaching-learning programs has the potential to optimize learning outcomes.
  - **Formative Assessment**

    Provides support for enhancing the quality of teaching-learning sessions.
- **General Facts**
  - The book 'INDIA : 2020' was authored by APJ Abdul Kalam.
  - Among the given UN organizations (WFP, ILO, UNESCO, UNHCR), **UNESCO** has not been awarded the Nobel Prize.
  - 'Ajarakh' block printing is a traditional **Textile** craft.

Inclusive Growth: Concept and Significance

- Inclusive Growth (IG): Economic growth that is distributed fairly, creates opportunities