

Paper II

2016:
2013

Crony Capitalism

- nexus b/w politicians & business persons
- policies become "pro business" instead of "pro market" (especially seen during 1980s: Atal Bihari Vajpayee Manmohan Singh Dr. Manmohan Singh 2012)

Consequence:

- Eliminates competition, virtual monopoly - inefficiencies coz money spent here
- Corruption - erodes public faith
- Wealth concentration, inequality
- Bank loans given not on merit → NPA
- failure of growth & devt targets

As per / business Management block not A & D funds wasted on regulatory capture

"Regulatory Capture"

Regulators instead of working for public interest work for pecuniary benefit

India: Ranks high on crony capitalism index

- licence Raj - Permit - Quota Raj
- mining contract first come basis → SC scrapped. New auctions
- Nirva Radio tapes
- Spectrum 2G ~~scam~~ scam
- PPP contracts

"Rent seeking behaviour"

Govt. should be pro market not pro business. New KODB, digital procurement to ↑ transparency etc measures

2015, 16

Agri subsidies

→ Input: fertilizer, power, seed
→ Finance: credit & insurance
→ Price: in form of MSP

- GR-HYV demanded ss of water, fertilizers
1. Fertilizer subsidy - Urea, NBS
 2. Power subsidy - low tariffs, used for irrigation
 3. Seed subsidy : HYV seeds
 4. Credit subsidy : Interest subvention loans
 5. Infra " : road, storage facilities
 6. Insurance : PMFBY

↳ feeder separation for agri & hh under DDUGKY
metering should be universal

Q4(c)

1st decade of inde

India was sea of poor with few islands

1) Land reforms

few islands
↑ of rich
immediate agenda

Agri surplus appropriated by small class of zamindars, so not investible surplus. They wasted this on consumption. Agri productivity, landless labourers all suffered.

Structure of Economy in 1950-51

Agri	52%	78%
Indus	17%	9%
Servic	30%	19%

(Contributions to GNP) (Employment)

2) Industrializatⁿ

- top sided when Sr left, no capital goods, consumer goods only
- concentrated in textiles
- 2nd PYP Mahalanobis model - basic & heavy industries priority
- Industrial policy 1956: "commanding heights of economy" in govt hands
Govt beyond prod sector + capacity could not be trusted so PSU's, disences

3) mobilization of savings: low saving rate coz low income + wasteful expenditure as profitable inv^t opp. less
- So state had to intervene with huge public expenditure to create productive assets & enlarge scope of prod. inv^t

4) Centralized control on resource allocation through planning

5) Public goods: Edⁿ, Health infra, dams infra projects (Command area dev^t prog.)
L IITKgp

6) social justice: To bridge inequality

7) Political Govce: - Consolidation of Indian territory
- Internal peace & security
- Realize substantial aspects of democracy

Life expectancy	32 yrs
Literacy	18%
Poverty	70%

CAPITALISM

- ✓ Private ownership, profit motive
- ✓ Right to property
- ✓ Freedom of choice by consumers
- ✓ Competition, price mechanism
- + Efficiency, incentive to work hard
- + democratic rights
- + adaptability
- + optimum use of resources
- + high rate of capital formation

- ✗ cut throat competition
- ✗ social welfare
- ✗ class conflict, inequality, unempt, social injustice
- ✗ property right > human right

SOCIALISM

- ✓ social ownership. Resources majorly in hands of govt.
Motive public service

- + EQUALITY - economic
- opp^y
- + social security, welfare
- + Planning
- + social justice

- ✗ ~~Bure~~ Red tapism, inefficiency, wasteful allocation of resources
- ✗ loss of consumer sovereignty
- ✗ loss of economic freedom
- ✗ personal liberty
- ✗ No incentive to work
- ✗ concentration of power in hands of state

2013 8/16 MIXED Economy

Both privat public enterprises

- ↳ regulations put + through fiscal monetary policies
- ↳ govt intervention of trade cycles, income inequalities

Apr 1956 - industries divided b/w the two, basic, heavy, strategic in hand of state, Rest privat

- Features:
- ✓ coexistence of both
 - ✓ consumer sovereignty protected
 - ✓ govt. protects labour
 - ✓ inequality ↓

Nehru

Economic growth - Industrialisation led growth (like Lewis, Nurkse, Mahalanobis)
- Heavy industries & infra

Empt - Empt generation coz ~~can~~ labor capital complementary

Approach to poverty - Focus growth as poverty alleviation
used be complementary
Trickle down

Political Setup - Socialist Ideals. Public Svc, had control over commanding heights of economy through PSUs, more centralization
Fabian socialism

Gandhi

- survival led devt strategy (like Myrdal)

- cottage industry & SSI promote khadi

'Gramswaraj' - self sufficient village economy

- suspicious of modern tech & capital intensive coz labor displacing

'Antyodaya' - upliftment of poorest

- favoured decentralization like villages to manage their economy, polity (Eg P.R.I.s)

2006 Gandhian Philosophy Economics - Kumarappa

1) Ultimate goal of "Antyodaya" is welfare of poorest or most downtrodden. welfare of all (Sarvodaya)

2) Rural centric devt - agr, SS I - generate emp't on large scale, self sufficiency, decentralization, non violence
handloom khadi

3) Theory of Trusteeship - alternative to capitalist structure - surplus wealth abv what is needed to meet basic need shud be used as trust for welfare of all
preventing concentr'n of wealth & luxurious living

3) Dignity of labor - social security, min wages
"bread labor" - theory of Arbitration
implemented through IDA where Aⁿ will be used to reconcile diff b/w capit- alist & workers

2015: Why socialist pattern had to be ended by LPG?

1) Inefficiency in resource allocation coz of command & control economy

- IOR of 5.6 during 1970s

- Policies of discarding, import export control, MRTP etc
red tapism, crony capitalism, corruption

2) Dismal performance of PSUs

- management ^{lack} - no incentive to improve efficiency coz no competition
excess manpower & political appointments

- conflicting objective of generating investible surplus as well as keep prices low

- Profits declined coz not sole focus. Pricing policy needed rationalization

3) Low stagnant growth with dit improvement in inequality

- Kindu growth rate : 3.5% (Dr. Raj Krishna) 1950-80

- In spite of rapid industrialization, it was realized that 'trickle down' had not happened as envisaged by planners

2013 Paper 1 Why govt. shud intervene in agri market

Q 5(a)

1) Lewis model argument : / wage good money of labor
As more workers ^{from agri} are absorbed in industries & their earning increases an subsistence level, so per food & wage goods will also ↑ to commensurate ↑ in agri else price rise (inflation)

2) Diminishing returns to fixed factor (ie land) requires ↑ in productivity. So subsidy on inputs (credit, seed, fertilizer, irrigation etc)

3) Land reforms : as productivity ↑ + equity

4) Poverty ↓ : WB: growth from agri is 2-3 times more effective in ↓ poverty

49% populatⁿ here

5) Food security ^{for all} and stability in market prices price income security
for farmers through complimentary mechanism of MSP and PDS

2007

Rural poverty

SECC data : 49% rural hrs - one or more deprivation
 " " - landless, engaged in casual labour
30%

1) Agriculture distress

- low productivity
- Climate, price risks
- 85% small & marginal

< 2 ha avg land holding

2) Infra deficit

(i) Physical infra

- electricity - DDUGJY
- roads - ~~PMAY (G)~~ PMgram Sadak Yojana
- Sanitation houses - SBM (Rural)
- PMAY (G)

(ii) Social infra

- Health - NRHM
- Edⁿ - SSA
- Skill - DDUGKY ~~ARECA~~

3) Non farm emp^t opp. missing

- MGNREGA - wage
- NRLM - self emp^t
- Promote livestock, Agroforestry, FPI horticulture

4) Credit access

40% non formal SHG strengthen, strengthen farmer producer org.

5) Governance deficit : PRI weak

6) Social inequalities : caste system, patriarchy stronger than urban

7) Digital divide

73rd and 74th CAA

Institutionalized democratic decentralization by giving Constitutional backing to 3rd tier of govt. in the form of PRJ in rural areas and ULB in urban areas
Municipalities

Economic features

1) Bottom up planning: — village panchs devt plans
— DPE consolidates for rural urban
— MPC for metropolitan areas

District planning committee to consolidate plans prepared by panchayats & municipality

Metropolitan planning comm to prepare draft plan for metropolitan areas

Panchayats and municipalities will prepare plans for economic devt and social justice. Subjects in 11th and 12th schedule like

14th FC: Agriculture, land reforms, SSI, ~~small~~ markets etc
Village Panchayat development plan to be prepared in participative way. Model plan prepared by Assam which is the 1st.

2) Finances

state may allow panchayat to levy and collect taxes with GST their powers will be changed.

3) State Finance Commission

to be established every 5 yrs to suggest denuclearisation of funds by state govt. Also finance comm will provide suggestions for augmenting resources of local bodies

2016 Q4(b)
Paper 1

Perverse Subsidies

Petrimental (= Perverse), adverse unintended consequences
destruction of env't - over exploitation in natural resources

Eg agri subsidy on fertilizers, pesticides → pollution, over use in croplands
↓
distant cropping pattern
↓
over use of env't
↓
env't harm
↳ soil health spoilt
Eg Punjab carcinogenic use of chemicals

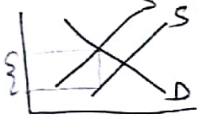
Expensive for govt. but result in mis use, over use

Eg energy: electricity subsidised but wasted + over irrigated

Eg marine fisheries worldwide overexploited
fossil fuel subsidy by some countries

2001 Q2

Direct subsidies: directly paid to producer or consumer by govt. Eg production subsidy



Cross subsidies: differential pricing. Eg railway - freight & passenger

Concert subsidies: Not directly paid
Eg favourable credit terms; insurance to exporters to promote exports

all eq of export only to govt they

