

Azim Premji University  
Bahujan Economists  
School for Democracy

# DEMYSTIFYING ECONOMICS:

## A workshop on Indian Economy and Constitutional Rights

16TH-  
26TH  
AUGUST  
2023

A workshop aimed to engage with some important concepts of economics along with some hands-on basic sessions on accessing, analysing, and visualising related data.

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Azim Premji University

Bahujan Economists

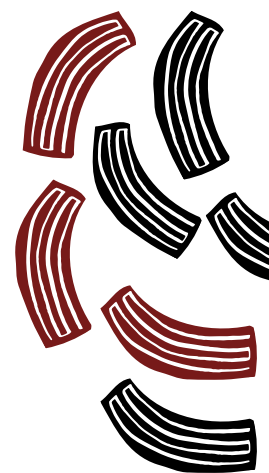


Loktantrashala (School for Democracy)



# ACKNOWLEDGEMENTS

A workshop of this nature can happen only due to the generous support and commitment of many individuals. Many thanks to Bahujan Economists and School for Democracy for continuing to co-organise this workshop with Azim Premji University. Many thanks to the organisations we reached out to that were quick to nominate participants to attend this workshop. A special gratitude to all the participants who have given their precious time to travel from various parts of the country to participate in this second edition of the workshop. It has been a joint effort of the entire organising committee to put together such an ensemble of participants and resource persons. Our sincere gratitude to all the resource persons who have contributed to making the content for the workshop. A very special thanks to Rema Devi for handling the necessary logistics for the workshop. A shout out to Sivasankar TS for being ever so patient and calm in shouldering a series of unforeseen responsibilities for the workshop. This was a complicated exercise but he did it with envious efficiency. There were several others involved in organising and managing the logistics. Special thanks for that are due to Chandra Kumar, Fanibhushan, Sourav, and Doddaya. Each of them have ensured that the workshop happened smoothly. We specially thank Siddharth Joshi for bearing with us in all delays from our side and yet delivering the translations on time, with utmost professionalism and expertise. Shravan, Amit, Varenya, Satyakaam, Kasturi, Ruchika, Subhapriya, and Varun among other student volunteers ensured that somebody was present to either translate or help participants with working on the laptops during all the workshop sessions. Despite a hectic schedule, the communications team made sure to photograph every session. The credit for the genesis of such a workshop goes to the economist duo of Arjun Jayadev and Amit Basole from Azim Premji University who have wholeheartedly championed this initiative. Finally, the workshop would not have been possible without the generous and unconditional financial support by the Azim Premji Foundation.



# PARTICIPANTS

**Mamta Meena from Mahila Jan Adhikar Samiti Ajmer Rajasthan** is working in education and security programmes through community contact, school visits. She is also working for school enrolment, getting dropouts connected with open education, and government schemes.

**Dr Vishal Tikhute** is the Managing Director at Pragati Creations, Pune. An MSME registered with MCA (Ministry of Corporate Affairs) as a company. He works with self help groups, NGOs, freelancers and small businesses in India. He also works on health, education and livelihood for all.

**Ranjan Kumar** is associated with Jan Vikas Shakti Sangathan (JVSS), Bihar. His work is mostly based on NREGA, ration, pension, education and health.

**Himanshi Sharma** is associated with Awaaz Sanstha (Youngshala) in Bhopal. Her work is mostly around child protection and youth collaboration ("social issues discussion")

**Paras Banjara** is associated with Social Accountability Forum for Action and Research (SAFAR). SAFAR is a collective of activists, researchers and development practitioners. We work at the interface of the state, law and society to deepen institutions and practices of social accountability and improve access to welfare rights. Also work on rights and cultural identity of the nomadic communities.

**Rohit Chauhan** is associated with Centre for Labour Research and Action (CLRA) promotes the rights and entitlements of the migrant workers in the vast informal sector economy of India. His work involves (i) generating data and information by documenting the working and living conditions of seasonal migrant workers (ii) nurturing and engendering leadership through enhancing capacities of the workers to articulate their demands for decent wages, improved and safe conditions of working and living (iii) undertaking policy advocacy with the state to ensure the workers receive their due entitlements.

**Mary Nisha Hansda** is from Godda Jharkhand. She is working together with Adivasi Vikas Trust, Godda which works for their rights on various Social Welfare Schemes like Mgnrega, PDS and Pensions, environment issues, issue of displacement, migration through platform of Gram Sabha. She is also part of Samajik Suraksha Manch which actively advocate for their own rights.



**Guruprasad, Uttar Pradesh****Dihadi Majdur Sangathan, Uttar Pradesh**

This organization especially works with construction workers, domestic workers and women workers in the unorganized sector, which is a registered organization under the Trade Union Act. Organization is mainly working on issues related to workers' identity, respectable wages, social security, and payment of wages. Presently the organization is actively working in 10 districts of Uttar Pradesh.

**Akhilesh Kumar Paswan, Araria, Bihar****Jan Jagaran Shakti Sangathan, Bihar**

We are working on MGNREGA, Ration, Pension, Education, Health, and Domestic violence. We aim to prepare a new generation. And we are also focussing on migrant workers' issues.

Nyay samanata ho adhar, aisa rachege hum sansar.

**Sunita Mohaniya** is associated with Centre for Labour Research and Action (CLRA) promotes the rights and entitlements of the migrant workers in the vast informal sector economy of India. His work involves (i) generating data and information by documenting the working and living conditions of seasonal migrant workers (ii) nurturing and engendering leadership through enhancing capacities of the workers to articulate their demands for decent wages, improved and safe conditions of working and living (iii) undertaking policy advocacy with the state to ensure the workers receive their due entitlements.

**Sahab Baksh Singh****Dihadi Majdur Sangathan, Uttar Pradesh**

This organization especially works with construction workers, domestic workers and women workers in the unorganized sector, which is a registered organization under the Trade Union Act. Organization is mainly working on issues related to workers' identity, respectable wages, social security, and payment of wages. Presently the organization is actively working in 10 districts of Uttar Pradesh.

**Manisha Diggi**, works with LibTech India which focuses on aspects of transparency, accountability and democratic engagement in rural public services delivery. Currently engaged in Jharkhand Action Research project which collectively works with CSOs working on ground to understand different levels of exclusions happening in various Social Welfare Schemes, map end-to-end delivery issues and suggest resolutions with different level of groups.



**Abu Bakkar Siddik is associated with Paschimbanga Khetmajoor Samity (PBKMS).** It is an independent registered class based trade union of agricultural and rural laborers neutral to party politics. The main goal is to protect the interests of working laborers and to realize their rights, regardless of caste, religion, gender, and to build a classless, egalitarian society.

**Christan Kharia (Kirsan Kharia)** is associated with Paschim Bang Khet majoor samity which mainly works for the rights of farm laborers, farmers, tea workers, day laborers. Along with this, I am also associated with the Uttar Bangal Chai Shramik Sangathan, which works for the rights of land, the demand for minimum wages and the protection of their fundamental rights of millions of people settled in the tea gardens of West Bengal, in which Adivasi and Gorkhas are main community.

**Elsy** is from Poovar, a coastal village in Kerala. She works for School for Democracy. Intervening in the problems of the coastal people and empowering people to get their rights from the government in relation to the Right to Information act.

**Narayan Kandeyang, West singhbhum, Jharkhand**

**Organization: Johar and Khadya Suraksha Manch**

Organization aims to raise awareness in the community through Digital Training about MGNREGA, Pension, Awas, and other issues. Adding to this, highlighting the corruption related activities of administration is another work of organisation. I am associated with these kinds of works.

**Sangita Rot, Rajasthan is associated with Rajasthan Asangathit Mazdoor Union** which particularly works for issues of unorganized sector workers.

**Shakarun Baano** is associated with Kisan Mazdoor Sangathan and Samta Yuva Manch. These two institutions primarily work for MGNREGA, ration, caste discrimination, dowry system, education, employment, and domestic violence issues.

**Ramchandra Majhi** is associated with Khadya suraksha jan adhikar manch West Singhbhum, Jharkhand. He works on MNREGA, Social security, PDS, different kind of public issues, Anganbari etc.

**Mulchand Sharma, Rajasthan**

I am connected with the School for Democracy in which I am working for unorganized sectors' workers and their rights issues. I am also doing advocacy work.

**Surendra Kumar,**

I am associated with Kisan Mazdoor Sangathan which primarily works for MGNREGA, ration, caste discrimination, dowry system, education, employment, and domestic violence issues.

**Shaheen Shasa** volunteers with Bengaluru Bus Prayanikara Vedike. Based in Bangalore. The group, a coalition of individuals, unions and community organizations, advocates for mobility as a right and for better public transport systems in Bangalore.

**Sunitha Yesudas** is from Thiruvananthapuram. She works for School for Democracy. Intervening in the problems of the coastal people and empowering people to get their rights from the government in relation to the Right to Information act.

### **Taru Singh**

I am working with the School for Democracy and Mazdoor Kisan Shakti Sangathan. I am doing work for labor rights and I am also filming-documentary work.



Azim Premji University, Bahujan Economists and School For Democracy

## Demystifying Economics: A Workshop on Indian Economy and Constitutional Rights

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What is Economics? Does the annual budget matter for a representative citizen of India? What are their constitutional rights of citizens? Do our economic policies reflect our constitutional values? Has anything changed about economic policies in India since its independence? Do our economic policies pay attention to the needs of the historically marginalised social groups? Should an economist care about marginalisation and discrimination anyway?



**Date : 16th August to 26th August 2023**  
**Venue: Azim Premji University, Bangalore**

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Illustration by Siddhesh Gautam



# Link to Resource Folder

All the supporting materials used by the resource persons in this workshop, are available in [this google drive folder](#). In particular, the lecture materials prepared by Rosa Abraham on employment, Ganesh & Japneet on constitutional values and economics, and Mrinalini Jha on inequality & poverty are not in this booklet but available as slides in the above Google drive folder.

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## On the Study of Economics

Jean Drèze

## History of Economic Thought

Alex Thomas

## Four Key Moments in Indian Policymaking

Rahul De

## Microeconomics

Tejaswini Tabhane

## Inequality and Poverty \*

Tejaswini Tabhane & Aditi Priya (\*Materials from DEW 2022)

## Macroeconomics of Inequality

Zico Dasgupta

## Notes from Organisers

Aditi Priya (on behalf of Bahujan Economists)

## Quantitative Methods\*

Tamoghna Halder (\*materials from DEW 2022)

## Dalit-Bahujan-Adivasi Rights

Dontha Prashanth

## Labour Rights and Women's Rights

Srishti Yadav

## Identifying the Employed\*

Mrinalini Jha (materials from DEW 2022)

## Notes from Organisers

Aruna Roy and Satish Deshpande with the SFD Collective

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## Inflation and Macroeconomic Policy

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## Is There Anything Called "Good Economics"?

Amit Basole

# DEMYSTIFYING ECONOMICS WORKSHOP 2023

## Outline of Sessions

### DAY 1, WEDNESDAY 16TH

9:00-  
9:45

#### SESSION 1

WELCOME NOTES  
AND INTRODUCTION

#### SESSION 2

WHAT IS ECONOMICS? WHO  
ARE ECONOMISTS? A  
DISCUSSION FROM THE  
PERSPECTIVE OF  
PARTICIPANTS. IS THERE  
ANYTHING CALLED GOOD  
ECONOMICS?

9:45-  
10:30

**TEA BREAK 10:30-10:45**

10:45-  
12:30

#### SESSION 2

SESSION 2 CONTINUED

RESOURCE PERSON:  
PROF. SATISH  
DESHPANDE, RETIRED,  
DELHI UNIVERSITY

**LUNCH 12:30-1:30**

#### SESSION 3

##### MICROECONOMICS

RESOURCE PERSON:  
TEJASWINI TABHANE,  
RESEARCH ASSOCIATE,  
JPAL-SOUTH ASIA

IN MAY 2023, FARMERS IN  
MAHARASHTRA WERE THROWING  
AWAY THE TOMATOES THEY  
PRODUCED, AS THE MARKET PRICES  
WERE NOT ENOUGH TO COVER EVEN  
THE PRODUCTION COSTS. WITHIN  
TWO MONTHS, THE PRICE OF  
TOMATOES EXCEEDED ₹150 PER KG.  
HOW DO ECONOMISTS EXPLAIN SUCH  
PRICE FLUCTUATIONS?

1:30-  
3:00

**TEA BREAK 3:15-3:30**

3:15-  
4:45

#### SESSION 4

THE COST OF A KG OF WHEAT IN  
A FAIR-PRICE SHOP IS SET AT  
₹7.50. THE PRICE OF WHEAT IN  
THE MARKET COULD BE FIVE  
TIMES HIGHER. WHAT DOES AN  
ECONOMIST HAVE TO SAY ABOUT  
THIS?

##### MICROECONOMICS (CONTINUED)

RESOURCE PERSON:  
TEJASWINI TABHANE,  
RESEARCH ASSOCIATE,  
JPAL-SOUTH ASIA

ALL SESSIONS WILL BE HELD IN B2FG05

# DAY 2, THURSDAY 17TH

9:00-  
10:30

## SESSION 5

DO ALL ECONOMISTS THINK OF PEOPLE AS RATIONAL INDIVIDUALS? OR, DO SOME ECONOMISTS THINK OF PEOPLE AS CITIZENS AS WELL? WHAT'S THE DIFFERENCE BETWEEN SUCH THOUGHTS?

### INTRODUCTION TO HISTORY OF ECONOMIC THOUGHT

RESOURCE PERSON:  
ALEX THOMAS,  
FACULTY, AZIM  
PREMJI UNIVERSITY

TEA BREAK 10:30-10:45

### OVERVIEW OF INDIAN ECONOMIC HISTORY

RESOURCE PERSON:  
RAHUL DE,  
FACULTY, AZIM  
PREMJI UNIVERSITY

## SESSION 6

10:45-  
12:15

IF ECONOMISTS DIFFER IN TERMS OF THEIR THOUGHT, WHAT ABOUT THE DIFFERENCES IN THOUGHT AMONG THOSE WHO MAKE ECONOMIC POLICIES IN INDIA? HAS ANYTHING ABOUT INDIA'S ECONOMIC POLICIES CHANGED SINCE ITS INDEPENDENCE? IF SO, WHAT ARE THOSE CHANGES AND HOW DID THEY HAPPEN?

LUNCH 12:15-1:30

1:30-  
3:00

## SESSION 7

SOME ECONOMISTS HAVE CALCULATED THAT IN 2018-19, A MEDIAN WORKER IN INDIA EARNED LESS THAN ₹10,000 PER MONTH. WHAT IS THE MEDIAN? HOW DID THESE ECONOMISTS ARRIVE AT THE NUMBER ₹10,000? WHY SHOULD A CITIZEN CARE ABOUT THESE DEFINITIONS AND NUMBERS?

### INTRODUCTION TO DATA AND STATISTICS

TEA BREAK 3:15-3:30

### INTRODUCTION TO DATA VISUALIZATION

RESOURCE PERSONS: DR. GOVINDAPURAM SURESH, ASSISTANT PROFESSOR OF ECONOMICS, KREA UNIVERSITY; PABITRA CHOWDHURY, RESEARCH ANALYST, INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE; AND SHRAVAN MK, RESEARCH ASSOCIATE, CENTRE FOR SUSTAINABLE EMPLOYMENT, AZIM PREMJI UNIVERSITY.

## SESSION 8

3:30-  
4:45

RECENTLY, SOME INDIAN ECONOMISTS PUBLISHED AN ARTICLE WITH A GRAPH WHERE THE X-AXIS DID NOT START FROM 0 AND THE UNITS ON THE AXIS WERE NOT UNIFORMLY DISTANCED. WHAT IS A GRAPH? WHY IS IT IMPORTANT TO BE ABLE TO READ GRAPHS?

# DAY 3, LECTURE + ACTIVITY DAY, FRIDAY 18TH

9:00-  
11:00

## SESSION 9

WE TALKED ABOUT MEDIAN WORKERS AND ASKED THE QUESTION, WHAT IS MEDIAN? HOWEVER, WHO IS A WORKER AND WHAT IS CONSIDERED AS WORK ACCORDING TO THE GOVERNMENT OF INDIA? HOW DO WE CALCULATE HOW MANY PEOPLE WORK IN INDIA? DO MEN AND WOMEN WORK EQUALLY?

### INTRODUCTION TO EMPLOYMENT STATISTICS

RESOURCE PERSON:  
ROSA ABRAHAM,  
FACULTY, AZIM  
PREMJI UNIVERSITY

**TEA BREAK 11:00-11:30**

**NOTE: REST OF THE SESSIONS WILL BE ACTIVITY ORIENTED**

**COORDINATORS:  
PABITRA, SURESH,  
SHRAVAN**

## ACTIVITY 1

THIS WILL ALL BE GROUP WORK. IN THE FIRST HALF PARTICIPANTS WOULD GET FAMILIARISED WITH DIFFERENT KINDS OF DATASETS, EXPLORE SUMMARY STATISTICS, AND CREATE GRAPHICAL REPRESENTATIONS.

11:30-  
1:00

**LUNCH 1:00-2:00**

2:00-  
3:30

## ACTIVITY 2

USE PERIODIC LABOUR FORCE SURVEY (PLFS) TO CALCULATE EMPLOYMENT STATISTICS, SUCH AS LABOUR FORCE PARTICIPATION RATE, WORKFORCE PARTICIPATION RATE, UNEMPLOYMENT RATE ETC.

**TEA BREAK 3:30-3:45**

## ACTIVITY 2

ACTIVITY PART 2 CONTINUED

3:45-  
4:15

# DAY 4, SATURDAY 19TH

9:00-  
10:30

## SESSION 10 & 11

WHY DO PRICES OF SOME GOODS KEEP RISING? DO WAGES GO UP BY THE SAME AMOUNT ALL THE TIME? WHAT DO ECONOMISTS AND POLICYMAKERS SAY ABOUT RISING PRICES?

**MACROECONOMICS:  
INFLATION AND  
UNEMPLOYMENT**

### TEA BREAK 10:30-10:45

RESOURCE PERSON:  
DAWA SHERPA,  
ASSISTANT PROFESSOR,  
DEPARTMENT OF  
ECONOMICS, KURSEONG  
COLLEGE, UNIVERSITY OF  
NORTH BENGAL GTA

## SESSION 10 & 11

10:45-  
12:15

SESSION 10 AND 11 CONTINUED

### LUNCH 12:15-1:30

1:30-  
3:00

## SESSION 12 & 13

THINKING ABOUT ECONOMIC POLICIES GIVEN INFLATION AND UNEMPLOYMENT. GIVE EXAMPLES OF RECENT LEGISLATIONS IN RAJASTHAN ON MINIMUM INCOME GUARANTEE AND THE GIG WORKERS' LAW

RESOURCE PERSON:  
SHANKAR SINGH,  
FOUNDER MEMBER,  
MAZDOOR KISAN SHAKTI  
SANGATHAN

### TEA BREAK 3:00-3:15

## SESSION 12 & 13

3:15-  
4:45

SESSION 12 AND 13 CONTINUED

SUNDAY 20TH, AUGUST.  
SIGHTSEEING TRIP OF BANGALORE

# DAY 5, MONDAY 21ST

9:00-  
10:30

## SESSION 14

IS THERE A WAY TO KNOW HOW MANY PRIMARY HEALTH CARE CENTRES ARE THERE IN A VILLAGE OR TEHSIL? OR, HOW MANY SCHOOLS? HOW MANY PEOPLE IN A VILLAGE HAVE RECEIVED THEIR WAGES FOR NREGA WORK? CAN DATA HELP IN VERIFYING CLAIMS MADE BY DISTRICT OFFICIALS, OR FOR ORGANISING SOCIAL MOVEMENTS?

### DATA FOR THE PEOPLE

RESOURCE PERSON:  
NEERAJ HATEKAR,  
FACULTY, AZIM  
PREMJI UNIVERSITY

**TEA BREAK 10:30-10:45**

### APPLIED MICROECONOMICS

RESOURCE PERSON:  
ANAND SHRIVASTAVA,  
FACULTY, AZIM PREMJI  
UNIVERSITY

## SESSION 15

10:45-  
12:30

WHY SHOULD THE GOVERNMENT CARE TO GUARANTEE SOME KIND OF EMPLOYMENT? CAN'T THE MARKET FORCES TACKLE UNEMPLOYMENT? AND IF PRIVATE EMPLOYERS HAVE TO PROVIDE A MINIMUM LEVEL OF WAGES, WOULDN'T THEY STOP HIRING MORE PEOPLE ANYWAY? WOULDN'T THAT INCREASE UNEMPLOYMENT?

**LUNCH 12:30-1:30**

AUGUST 21ST, MONDAY, SECOND  
HALF IS OFF.

# DAY 6, HALF-DAY LECTURE, HALF-DAY ACTIVITY, TUESDAY, 22ND AUGUST

9:00-  
10:30

## SESSION 15

WE OFTEN HEAR, "INDIA IS SET TO BECOME A TRILLION DOLLAR ECONOMY". WHAT DOES THIS MEAN? HOW DO ECONOMISTS CALCULATE SUCH NUMBERS?

**MACROECONOMICS: GDP & NATIONAL ACCOUNTS MEASUREMENT**

RESOURCE PERSON: ZICO DASGUPTA, FACULTY, AZIM PREMJI UNIVERSITY

**TEA BREAK 10:30-10:45**

## SESSION 15

10:45-  
12:15

SESSION 15 CONTINUED

**LUNCH 12:15-1:15**

1:15-  
3:15

## ACTIVITY

DATA ANALYSIS USING THE DATASETS INTRODUCED THE PREVIOUS DAY. DIFFERENT GROUPS WORK WITH DIFFERENT DATASETS OR WITH THE SAME DATA WITH DIFFERENT QUESTIONS.

ACTIVITY DAY MAIN COORDINATOR: JAPNEET SINGH, RESEARCH ANALYST, DEVELOPMENT DATA LAB.

**TEA BREAK 3:00-3:15**

## SESSION 16

3:30

NITIN SETHI, SENIOR JOURNALIST & FOUNDER, REPORTERS' COLLECTIVE

**(SH 1 AT 3.30 PM)**

ON ELECTORAL BONDS & POLITICAL ECONOMY

# DAY 7, WEDNESDAY, 23RD AUGUST

9:00-  
10:30

## SESSION 17

DO ECONOMISTS CARE ABOUT WHAT THE CONSTITUTION SAYS? SHOULD THEY?

### CONSTITUTION AND THE INDIAN ECONOMY

RESOURCE PERSON:  
GANESH KAMBLE,  
SECONDARY SCHOOL  
TEACHER, VIKASA  
VIDYA VANAM (AND  
JAPNEET SINGH)

TEA BREAK 10:30-10:45

### INEQUALITY AND POVERTY

RESOURCE PERSON:  
MRINALINI JHA, FACULTY,  
JINDAL GLOBAL UNIVERSITY  
AND AMIT BASOLE,  
FACULTY, AZIM PREMJI  
UNIVERSITY

## SESSION 18

SOME ECONOMISTS CLAIM THAT THE RICH IN INDIA HAVE BECOME RICHER DURING COVID WHILE SOME CLAIM OTHERWISE. SOME ECONOMISTS SAY, "POVERTY IS SIMPLY A FUNCTION OF THE POVERTY LINE". HOW DO ECONOMISTS MEASURE INEQUALITY AND POVERTY? WHICH MEASUREMENT TO TRUST? ARE POVERTY AND INEQUALITY ONLY ABOUT MEASUREMENT?

10:45-  
12:15

LUNCH 12:15-1:30

1:30-  
3:00

## SESSION 18

SESSION 18 CONTINUED

TEA BREAK 3:00-3:15

### PUBLIC LECTURE

NITIN SETHI, SENIOR  
JOURNALIST &  
FOUNDER, REPORTERS'  
COLLECTIVE

## SESSION 19

JOURNALISM'S FRAYED  
SOCIAL CONTRACT WITH  
INDIA /TELLING TRUTH  
THROUGH JOURNALISM IN  
TODAY'S INDIA

3:30-  
4:30

# DAY 8, THURSDAY, 24TH AUGUST

9:00-  
10:30

## SESSION 20 & 21

CAN ECONOMISTS QUANTIFY ALL KINDS OF INEQUALITIES? IS THERE A WAY TO MEASURE THE LIFE EXPERIENCE OF A WOMAN WHO WORKS IN THE MORNING, COOKS FOOD FOR THE ENTIRE FAMILY IN THE EVENING, AND FACES VIOLENCE IN THE HOUSEHOLD? OR, DO SOCIAL INEQUALITIES AND DISCRIMINATION BASED ON CASTE GO AWAY IF ONE BECOMES ECONOMICALLY WELL-OFF?

### APPLIED POLITICAL ECONOMY

RESOURCE PERSONS:  
SRISHTI YADAV AND  
DONTHA PRASHANTH.  
BOTH ARE FACULTY  
MEMBERS AT AZIM  
PREMJI UNIVERSITY.

TEA BREAK 10:30-10:45

## SESSION 20 & 21

SESSION 20 AND 21 CONTINUED

10:45-  
12:15

LUNCH 12:15-1:30

1:30-  
3:00

## SESSION 22

HOW DOES IDENTITY DETERMINE ECONOMIC INEQUALITY IN INDIA? WHAT ARE SOME WAYS IN WHICH DIFFERENT KINDS OF ECONOMISTS THINK ABOUT IT? CAN ECONOMISTS PLAY A ROLE IN SOCIAL MOVEMENTS AND RESISTANCE? IS THERE AN UNDERLYING ECONOMIC PHENOMENON BEHIND SOCIAL AND POLITICAL MOVEMENTS?

### ECONOMICS OF IDENTITY AND RESISTANCE

RESOURCE PERSONS:  
TAMOGHNA HALDER,  
FACULTY, AZIM PREMJI  
UNIVERSITY AND FIZZA  
SUHEL, RESEARCH  
ASSOCIATE, CECFEE,  
INDIAN STATISTICAL  
INSTITUTE.

TEA BREAK 3:00-3:15

### APPLIED MACROECONOMICS

RESOURCE PERSON:  
ZICO DASGUPTA,  
FACULTY, AZIM PREMJI  
UNIVERSITY

## SESSION 23

WHY DO COUNTRIES REQUIRE A BUDGET? WHAT ARE THE DIFFERENT COMPONENTS OF IT? HOW TO READ A BUDGET? HOW MUCH OUT OF THE CRORES OF RUPEES ON A BUDGET ITEM REACH OUR VILLAGES AND BLOCKS?

3:30-  
4:30

## **DAY 9, ACTIVITY DAY, FRIDAY, 25TH AUGUST**

PREPARE A BUDGET FOR AN IMAGINARY COUNTRY KEEPING THESE IDEAS IN MIND AND/OR PREPARE AN EXPLAINER ON ANY OF THE THEMES TAUGHT IN THE WORKSHOP.



## **DAY 10, SATURDAY, 26TH AUGUST**

SUMMARIZE AND WRAP UP.



# INTRODUCTION

RAJENDRAN NARAYANAN

**E**conomics is intrinsic to every transaction we engage in. Whether it is buying a luxury car, seeking work, going to school, or getting quality medical treatment. Each of these are dependent on the nature of government policies as governments play a critical role in regulating and mediating the production, distribution, and consumption of goods and services. It is a delicate balancing act given the complexity of economic agents within India and its relation with the rest of the world. Doing the balancing act is what divides economists and the polity at large. Should we worry about inflation? Is there enough budget allocation for public health? Should corporate taxes decrease? These are but a handful of questions that have massive implications for India that is divided along multiple axes of caste, class, gender and religion, among others.

Some economists believe that governments must spend more while others believe that the government's role should be minimal. They substantiate their views further by providing various kinds of data-based evidence. Even with the same data, two ideologically opposed economists could provide drastically different policy prescriptions. Depending on the dominant ideological strain of the government in power, we could have dramatically different policies that affect the lives and livelihoods of millions.

Despite the gravity of economic decisions that affect millions, a vast majority of Indians have no participation in policy making. Policy documents and debates around it are shrouded in complicated jargon that alienates most people. As such, the majority are left out from engaging and understanding the implications of economic policies. Consequently, the citizen-State relationship and the democratic contours of India get modified in complex ways.

As citizens with fundamental rights of liberty, equality, fraternity, and dignity, among others, it therefore becomes important for us to learn, critique, and engage with policies to see for ourselves how such policies are advancing constitutional values. It is minimally important to have familiarity with some principles and arguments underlying policy decisions with the hope that we become a more informed citizenry.

It is with these broad ideas in mind that this workshop is being organised. Through this workshop, the participants were exposed to some critical economics concepts along with some hands-on basic sessions on accessing, analysing, and visualising data. In this first iteration of such a workshop, we have 21 participants from 14 states representing 16 organisations.

Identifying, selecting and condensing the topics for the workshop has not been easy. Several important topics had to be left out in the interest of time. Moreover, there could be many more novel and simpler ways of approaching the topics covered in this workshop. We hope that the participants and the organisers alike will use this experience as a springboard to revise the existing content, find new ways to think about other ideas and continue in their own ways to foster a culture of discussions around economics keeping constitutional imperatives in mind.

# ON THE STUDY OF ECONOMICS

JEAN DRÈZE

**E**conomics can be a very enlightening discipline if it is read with a critical mind. Unfortunately, the teaching of economics does not always encourage critical enquiry. Concepts and theories that ought to be received with the greatest scepticism are taught as if they were a matter of common sense. In the process, studying economics can end up clouding our understanding of the world we live in, instead of enlarging it.

Take for instance the standard economic approach to consumer choice. It begins with the assumption that individuals have well-defined and stable “preferences” over commodities. This starting point hinders serious enquiry into the reasons why people make the choices they make. If someone spends lakhs of rupees on an expensive watch, or on a wedding, this is not considered an issue – it is just a matter of “preferences”. The phenomenon of “conspicuous consumption”, as Thorstein Veblen called it, is outside the realm of the analysis. So is advertising, one of the biggest and most pernicious industries in the modern world. The word “advertising” did not figure in any of the economics courses I took as a graduate student in the early 1980s, and I doubt that the situation is very different today. How can we understand modern economies, and the nature of corporate capitalism, without talking about the economics of advertisement?

Further examples of this obfuscating role of mainstream economics are easy to give. Quite often, of course, specialized economic research can be called to the rescue (for instance, consumer preferences do come under heavy scrutiny in behavioural economics). However, this specialized research is not reflected in routine economics courses at the undergraduate and even graduate level. Once again, this is not to say that mainstream economics is useless – far from it. The remedy is to read economics with a critical mind. Being a good economist requires not only a sound training in economic science but also engaging with its critics, with other disciplines, and with the real world.

I welcome the “Demystifying Economics” workshop as an effort to develop an alternative, action-oriented approach to the study of economics.

# HISTORY OF ECONOMIC THOUGHT

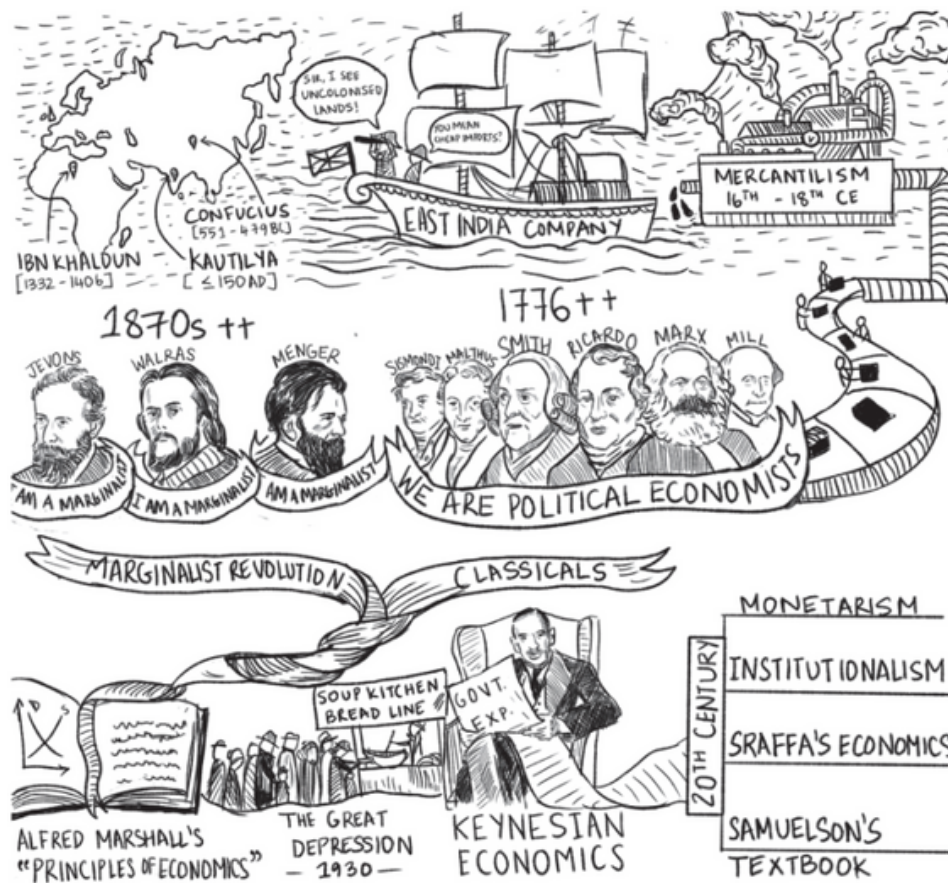
## ALEX THOMAS

(The following is an excerpt from the book, *Macroeconomics: An Introduction*). Before I present the definition of economics, it is useful to provide you with a brief outline of the evolution of economic ideas. When do you think economics as a distinct subject/discipline emerged? Also, do you notice any correspondences between the emergence of capitalism as a way of organising society and the emergence of economics as a distinct subject of study? (Capitalism is a mode of economic organisation wherein the capitalists own all the means of production and the workers have nothing but their labour.)

Most historians of economic thought (that is, economists who study the history of their discipline) identify William Petty as the first ‘political economist’, as they were then called. Petty was also a surgeon and a surveyor. In 1662, he published a book titled *A Treatise of Taxes and Contributions* which puts forward a way of accounting for aggregate output and a proposal of how much of that ought to be taxed. That is, as some of you might already be thinking, economics has a short history (a little over 350 years) vis-à-vis the natural sciences. However, is it true that no one before Petty wrote about economic issues? Of course not! Just a little before and around Petty’s time, there were a group of merchant-economists, loosely called mercantilists, who wrote about money, wealth and foreign trade. Of this motley group, Thomas Mun is the most famous. They identified the stock of gold reserves in the nation, which flowed in when exports exceeded imports, as an indicator of economic health. Also, Petty and Mun are both from the European continent. Were there no economic discourses elsewhere?

Some notable non-European economic discourses are: *Muqaddimah* by Ibn Khaldun (1332–1406), a North African Arab thinker; *Arthashastra* by Kautilya written no later than 150 AD; and works by Confucius (551–479 BC) in China. However, you will not find anything resembling a theory in these works. Kautilya is not the name of a single person but perhaps a title and, therefore, some Kautilya scholars argue that it is a compilation by several individuals over time.

While many of the economic concepts (such as the division of labour) in Adam Smith’s *Wealth of Nations* (1776) were already prevalent in the extant literature, Smith deserves credit for conceptualising political economy, the science of wealth, as a distinct field of inquiry (but note that Smith uses wealth interchangeably with income). Subsequent economists like David Ricardo, Thomas Tooke, Robert Malthus, J. C. L. Sismondi and J. S. Mill further developed the science of political economy. It is in Karl Marx’s work that classical political economy (or classical economics, as it is also called today) receives a very mature treatment. In particular, Marx lays bare the exploitation of workers by capitalists in our epoch. Ricardo had already highlighted the conflict over income distribution between workers and capitalists when he demonstrated the inverse relationship between wages and the rate of profit (this idea will be discussed further in the chapter on inflation). The classical economists used concepts such as the social surplus, (customary) subsistence wage and social classes in their theories of value, distribution and economic growth.



Subsequently, in the 1870s, there was a revolution in economic thinking, pioneered by Léon Walras, William Stanley Jevons and Carl Menger, independently of each other. It was a revolution because it supplanted the concepts and ideas proposed by the classical economists. This is referred to as the marginalist revolution owing to their use of and reliance on marginal concepts and principles such as marginal utility, marginal product, marginal cost and the marginal productivity theory of income distribution. According to the marginal productivity theory of (income) distribution, in a competitive economy (that is, there is free mobility of labour and capital across industries), workers will be paid the marginal product of labour and capitalists the marginal product of capital. The marginal product of labour denotes the addition made to the total product when one additional labourer is employed (and similarly for capital). Note that this theory implies a kind of harmonious income distribution in a capitalist society, whereas the political economy of the classical economists and Marx explicitly highlights conflict, especially between workers and capitalists.

Alfred Marshall, in his *Principles of Economics* (1890), attempts to establish a continuity between classical political economy and marginalist economics, two distinct theoretical or conceptual frameworks. First, while the starting point of marginalist economics is an individual, that of classical political economy is a class/group. Second, in classical political economy or classical economics, the real wage is determined by social and political forces, and, therefore, it is irreversible to a large extent, whereas in marginalist economics, wages are determined by the marginal product of labour and is, therefore, reversible. Recall from introductory (marginalist) microeconomics that the equilibrium wage is determined at the intersection of labour demand and supply, and shifts in these curves can push down or pull up the equilibrium wage rate. For example, classical economists would argue that the daily wage of a bus driver in Kerala is INR 1,000 as a consequence of wage bargaining and government policies. Marginalist economists would argue that the wage reflects the productivity of the bus driver and, therefore, if the productivity falls, the wage can fall to INR 800. And this reduction in wages could be considered economically fair.

However, classical economics would point to the irreversibilities associated with consumption (particularly of the workers) and consequently deem it unjust. Third, according to classical economists, competitive economies do not possess an intrinsic/natural mechanism of ensuring that all workers who are willing to work at the going wage rate will find employment. In other words, there is no tendency to the full employment of labour (except in the very long run where the supply of labour adapts to the demand for labour, a causation opposite to that found in marginalist economics). Marginalist economics, on the contrary, argues that a competitive economy will tend towards a state with full employment of labour.

Amidst the Great Depression of the 1930s, John Maynard Keynes published his revolutionary book *The General Theory of Employment, Interest and Money* (1936) wherein he argued that the tendency to full employment found in the then-dominant economics (Marshall and Arthur Pigou mainly) was flawed. And that the only solution for reviving the depressed level of aggregate income and employment is through an expansion in government expenditure. This was because Keynes rightly noted that private investment is volatile (as it is driven by the profit motive) and depends on ‘expectations’ which further depend on a large set of variables unamenable to theorising. However, government expenditure was (and is) not constrained by such expectations. The Polish economist Michał Kalecki, independent of Keynes, also made essentially the same point in his 1933 article.

In the 20th century, economics witnessed five other significant developments:

(a) monetarism led by Milton Friedman which challenged Keynes’s notion of the ‘monetary production economy’ by arguing that ‘monetary’ forces have no impact on ‘real’ variables such as aggregate real output and employment;

(b) institutionalism as developed by Thorstein Veblen, John Kenneth Galbraith and Gunnar Myrdal which underscored the importance of social and institutional norms in determining economic outcomes; (c) the application of game theory, particularly to understand strategic interactions between countries, firms, groups of people and individuals; (d) Piero Sraffa’s devastating critique of marginalist economics, followed by the capital theory debates of the 1960s which challenged the marginal productivity theory of distribution due to the problems associated with the conception and measurement of capital in economic theory; and (e) the textbook culture of teaching (marginalist) economics pioneered by Paul Samuelson.

I shall end this section after making one important point. Textbooks often portray economics as a settled science but this is far from the truth. The preceding narrative, albeit a linear one, on the history of economic thought was to communicate the fact that despite the dominance of certain ideas during certain periods of time, all the different theories and concepts still continue to be employed, in varying degrees, to make sense of our economic surroundings. A majority of the textbooks, especially the introductory microeconomics and macroeconomics variety, communicate the idea of a largely settled domain of inquiry to the students. By now, you must have gathered that there exist multiple perspectives and schools of thought in economics. Two significant schools of thought absent in our discussion are ecological economics and feminist economics. I would like to end this section with a quote from the philosopher of science Paul Feyerabend’s chapter ‘Rationalism, Relativism and Scientific Method’ in the 1999 book *Knowledge, Science and Relativism*.

The questions “What shall we do? How shall we proceed? What rules shall we adopt? What standards are there to guide us?” however, are answered by saying: “You are grown up now, children, and so you have to find your own way.” (p. 211)

While mainstream textbooks adopt the dominant (marginalist) economics framework to understand economic issues, this textbook follows a different path and highlights the pluralistic nature of economics through the presentation of contending economic theories. It is hoped that such an approach, to paraphrase Feyerabend, will help you better in your journey of learning.

# FOUR KEY MOMENTS IN INDIAN POLICY MAKING

RAHUL DE

## Critical Political Economy based method:

I ask my students five basic questions about assessing a policy: (a) Why was this policy introduced? (b) What was the problem that it was meant to fix or, broadly, how did historical context frame this problem and create this policy? (c) What were the politics which shaped this choice of policy or how did the logic of politics and institutions shape this policy? (d) What were the alternative policies available or what were the other theories available to solve this problem, and e) how was this policy perceived or what do empirical data and reception tell us about this policy? In answering these questions, readers need to imagine themselves in those times: historical consciousness, the ability to imagine a decision from the perspective of those who are making it, is an important weapon in the historian's toolkit.

## Moment 1: Growth Through Industrialisation: First Industrial Policy 1949 under Jawaharlal Nehru

Nehru's decision to follow the industrialization focussed development model was based on suggestions of academicians and policymakers. The method adopted to reach this goal distinguishes India

from the path of any other developing economy. Nehru's policies were defined as the middle way and were implemented through a planning process. He chose to focus on the industrial sector over the agricultural sector and domestic capital over foreign capital.

The industrial policy of 1948, later updated in 1956, divided up all industries into three buckets. In seventeen basic and key industries including iron and steel industries, heavy machinery required for other key industries, mining and processing of minerals, aircraft, railways, and ships, etc, the public sector would have a monopoly or an exclusive right to new investment, a private enterprise which historically existed in this industry was allowed to continue, however, no new firms were allowed to enter these industries. In another twelve industries, needing high investment but not as technology-intensive, including fertilizers, machine tools, and ferry alloys both private and public investment would be encouraged, although the state was committed to investing in these industries. Schedule C contained all other industries which were open to private capital. Some cottage industries were restricted to small-scale

Industries, to protect them from competition from large enterprises.

### **Moment 2: Growth in the Agricultural Sector: New Agricultural Strategy 1969**

New Agricultural Strategy (NAS), which was officially announced in the fourth five-year plan in 1969. Under the NAS the planners decided to focus on 20-25% of land in India which had an assured supply of water and complementary public infrastructure to potentially grow fast. Secondly, they decided to adopt scientific and technological solutions to increase land productivity. This was a key requirement as in a densely populated country like India, the most productive lands had already been cultivated and there was very little potential to increase output by expanding land usage. In October 1965 the new agricultural strategy was implemented as the Intensive Agricultural Area Program (IAAP) in 114 districts based on the pilot program called IADP implemented by the Ford Foundation in 14 districts in 1961. These were some of the most agriculturally productive districts in the country and included fertile districts like East Godavari, Tanjavore, Ludhiana, Burdwan, and Palghat. The decision to follow the IAAP program was strengthened by technological breakthroughs in Mexico and Taiwan in 1965 where they developed new varieties of Paddy and Wheat seeds which provided a significantly higher yield – almost double the productivity of Indian seeds and could survive in Indian conditions. However, these variants had a higher vulnerability to plant disease and were more susceptible to weather or natural disasters, and required

close monitoring and technological support. As a consequence, farmers adopting HYV seeds in cultivation would have to invest in: pumps or tube wells to ensure a regular supply of water fertilizer to augment HYV seeds, pesticides to protect the plants, and mechanical modes of cultivation to minimize the time of cultivation.

### **Moment 3: The Battle for Land: Special Economic Zone act 2005**

The most significant reform policy under UPA 1 was the Special Economic Zone Act (Henceforth SEZA) introduced in 2005. The main objective of the SEZA was to attract investment in the development of export-oriented infrastructure. The belief was growth in export-oriented industries will lead to growth and employment opportunities in other inter-linked industries in the economy. India's SEZ policy was based on a series of export enclaves established in Gujrat and Maharashtra in the 1960s called Export Processing Zones. Under this scheme, private operators managed ports and industrial zones to increase the trading efficiency of certain key exportables such as gems and jewellery, electronic components, etc. These zones were exempted from the trade and customs regulations applicable to Indian industry in the 1960s with the hope that Indian traders would have a competitive advantage in the global market. SEZ also borrowed from the experience of industrial townships such as Jamshedpur, Bhilai, Bokaro, and Rourkela; where a town was created around the needs of an industry. These towns contained all the requirements of the industry and its

employees such as easy access to raw materials, infrastructural development, schools, hospitals, and residences. These townships necessitated the creation of specific exemptions from the creation of an elected local government. The experience of carving out geographical regions where different economic regulations were applicable contributed to the formation of SEZA. Fundamentally, SEZA follows an export-oriented industrial growth model – external demand drives growth in the economy - which introduces liberal reforms over a limited area; bypassing the political backlash and the various bureaucratic hurdles which affect industrial development. The SEZA allowed for zones to be developed by state governments and private promoters where different rules would be applicable.

### **Moment 3: The Battle for Land: Special Economic Zone act 2005**

The UPA had promised reforms with a human face and parallel to economic reforms initiated a host of rights-based social distribution policies which was meant to compensate the masses who weren't benefitting from reforms. This was the largest scale of the introduction of social policies in India, since the introduction of poverty alleviation schemes under Indira's PM ship in the 1970 - 80s. Over its two tenures, the UPA introduced many rights-based policies such as the Right to Information Act 2005, National Rural Employment Guarantee Act 2005, Forest Rights Act 2006, Right to Education Act 2009, and The National Food Security Act 2011. Before describing and evaluating these policies it is important to understand the common principles upon which they were founded. These policies are rights-based: they entitle people to receive certain social benefits and it's incumbent upon the government to deliver these policies.

This is in stark contrast to the delivery-based social policies of earlier times: social policy since independence, and especially since Indira's government in 1972, has identified marginalized social and economic groups and provided targeted benefits to these groups. This was an outcome of limited resources available for social distribution – especially in the early stages of heavy industrialization. The groups identified were the poorest income groups – referred to as Antyodhya ration card holders – and received subsidized rations and essentials through the Public Distribution System. Further certain groups within the poorer classes such as the women especially lactating mothers, the elderly, the disabled, and forest dwellers were provided with further benefits such as highly subsidized health care, access to loans to build houses, and access to additional nutrition and care, access to social security. While in principle these policies made sense their execution was poor due to the complexity and inefficiencies of India's bureaucratic process.

### Sector Based Growth Rates

Period (Base Year 2004-05)	Agriculture	Industry	Services (Including Construction)
1950-1966	1.8	6.1	4.85
1967-1980	2.6	4.58	4.1
1980-2003	3.5	5.95	6.81
2004-2013	3.3	7.2	9.4

Data from National Accounts. Calculations are made by author.

### Growth in GDP and Aggregate Demand Components

Period (Base Year 2004-05)	Private Final Consumption Expenditure	Government Final Consumption expenditure	Gross Fixed Capital Formation	Exports of Goods and Services	Imports of Goods and Services	GDP at Market Prices
1950-1966	3.12	6.81	6.8	0	2.56	3.66
1967-1980	3.08	5.23	3.86	8.6	3.69	3.62
1980-2003	4.7	5.7	6.6	9.2	10	5.62
2004-2014	7.4	7.31	10.53	13.81	14.77	7.52
Period (Base Year 2011-12)	Private Final Consumption Expenditure	Government Final Consumption expenditure	Gross Fixed Capital Formation	Exports of Goods and Services	Imports of Goods and Services	GDP at Market Prices
2014-19	7.24	7.86	7	3.6	5	4.8

Data from National Accounts. Calculations are made by author.

**Inequality Data**

<b>Gini coefficient of Monthly Per Capta Expenditure</b>		
<b>Year</b>	<b>Urban</b>	<b>Rural</b>
1961-62	0.357	0.313
1967-68	0.332	0.291
1968-69	0.329	0.305
1977-78	0.346	0.336
1983-84	0.34	0.31
1993-94	0.344	0.286
2004-05	0.376	0.305
2009-10	0.393	0.3

Figures for 1961-62, 1967-68, 1968-69 and 1977-78 sourced from  
Suryanarayana (2012, p.79)

Figures for 1983-84, 1993-94, 2004-05, 2009-10 sourced from  
Vakulabharanam (2012)

# MICROECONOMICS

TEJASWINI TABHANE

## 1. Demand, Supply and Equilibrium

In February 2023, it was reported that in Nashik district of Maharashtra, farmers were throwing away their onion produce on roads while in Pakistan, a neighbouring country, witnessed a 350% rise in the price of onions. In Nashik, the farmers had to sell their onion produce for a meagre price of 1-2 Rs/kg and sometimes even 0 after accounting for the transportation and mandi taxes! While in Pakistan, the onion prices were a whooping 250 Rs/kg.

In India, it was the *excess supply* that pulled the onion prices downward while in Pakistan it was *excess demand* that pushed the prices up.

⇒ What are “excess supply” and “excess demand”?

⇒ What is a “demand”? What is a “supply”?

⇒ What is the relation of demand and supply to prices?

### Demand

A consumer’s demand is the willingness and ability to buy a quantity of goods and services at a given price.

A consumer Pradnya has the following demand of onions at different prices:

Price (in Rs/Kg)	Demand (in Kg)
10	18
15	15
20	12
25	10

**Law of Demand**

Generally speaking, for *normal* goods, demand for the good *decreases* with the *increase* in its price while other things remain constant (*ceteris paribus*).

**Supply**

The quantity of goods and services a seller is willing and able to supply at a given price.

A seller/onion farmer Rahul has the following supply of onions at different prices:

Price (in Rs/Kg)	Supply (in Kg)
10	7
15	10
20	12
25	15

**Law of Supply**

Generally speaking, the supply of goods increases with increase in price while other things being constant (*ceteris paribus*).

**Equilibrium**

How was the price of onion decided at 1-2 Rs/kg in India while in Pakistan it was 250 Rs/kg at the same time? It was due to the interaction of demand and supply forces.

Suppose that our consumer Pradnya wants to buy onions and Rahul is the seller who wants to sell his onions. At what price should they agree to make the trade of onions?

We simplify the process by assuming an auctioneer who quotes different prices and the consumer and seller try to do trade at those prices. The auctioneer first quotes a price of 10 Rs/kg. At this price, Pradnya is willing to buy 18 kg onions but Rahul will only sell 7 kg onions. But seeing that Pradnya wants to buy more, Rahul would want to sell more but he can only do so when the price increases. He proposes a price of 15 Rs/kg and is willing to sell 10 kg of onions but Pradnya wants to buy 15 kg at this price. Rahul again increases its bid to 20 kg at which he is willing to sell 12 kg and Pradnya is also willing to buy 12 kg. After this, Rahul cannot increase the price because then, he would be supplying more than what Pradnya demands.

Thus, the trade happens at the price of 20 Rs/kg and 12 kgs of onion is sold. This is called at equilibrium price and quantity. They are thus determined by the interaction of supply and demand forces.

#### Application of Supply and Demand Analysis in the Onion Markets of India and Pakistan

India: In February this year, Maharashtra experienced a rise in temperature (a heat shock) that led the farmers to sell their late kharif onions early due to fear of damage and thus the kharif and late-kharif onions came to the market at the same time, increasing the total supply. This created excess supply and the price of onions decreased.

Pakistan: Heavy rains and floods in Pakistan and Afghanistan destroyed several crops including that of onion reducing the supply in the market. This created excess demand for onions leading to an increase in prices in Pakistan.

#### Impact of change in demand and supply on price

Fill in the impact on price:

Demand	Supply	Price
Increases	Constant	
Decreases	Constant	
Constant	Increases	

<b>Demand</b>	<b>Supply</b>	<b>Price</b>
Constant	Decreases	
Increases	Increases	
Increases	Decreases	
Decreases	Increases	
Decreases	Decreases	

### **Relation between the demand of a good and its own price and price of other goods**

The demand of a good generally decreases when its own price increases and the demand of the good increases when its own price decreases.

Sometimes, the demand for a particular good also reacts to the price of other goods that have some relation with the given good.

<b>Complement goods</b>	<b>Substitute goods</b>
Goods that are generally consumed/purchased together	Goods that are closely related to each other and can substitute each other's consumption
The demand of a good increases when the price of its complement good decreases.	The demand for a good decreases when the price of its substitute decreases.
Eg: Petrol and automobiles	Eg. Petrol and CNG

## Price Fluctuations

**Table 1.6.1: Retail price of Wheat from January 2021-November 2022 (source) and onions from January 2017-December 2019 in India (source)**

Month	Wheat		Onion		
	2021	2022	2017	2018	2019
January	28.68	28	14.84	42.69	18.03
February	27.95	28.4	14.61	35.12	16.48
March	27.9	28.67	14.52	26.18	15.87
April	27.05	28.93	14.36	19.28	16.25
May	26.2	29.35	14.07	16.72	16.96
June	26.4	29.72	14.56	17.78	19.04
July	26.64	29.88	15.04	21.02	21.11
August	26.56	30.56	26.02	21.60	24.82
September	26.75	30.84	26.58	20.60	38.30
October	27.28	30.83	30.11	21.41	47.02
November	27.98	31.38	39.07	22.02	61.08
December	27.97		43.44	19.36	82.17*

### Discuss:

1. Why do the prices of some goods fluctuate too much (like onion) while that of other goods remain fairly stable (wheat)?
2. Are fluctuating prices better than stable prices?
  - a. Essential items vs non-essential items
3. Can the government play a role in stabilising prices?

## Role of government in price stabilisation

1. Price ceilings and price floors: The government can set a minimum price (floor) below which the price of a commodity cannot fall or a maximum price (ceiling) above which a price cannot rise for regulatory purposes.
2. Minimum Support Price: The government sets up a price at which it agrees to buy the commodity from the sellers ensuring that the price of that commodity in the market does not fall below the MSP.
3. Buffer stock: The government keeps a buffer stock of commodities to deal with periodical demand or supply shocks to regulate the prices.
4. Import and export regulations: The government regulates the import and export of the commodities to maintain its supply in the domestic market and thus stabilise the prices.

## 2. Policy and Prices

Recap:

1. Prices are determined by the forces of demand and supply and are thus often prone to fluctuations
2. The government can play an active role in stabilising prices

**Big question:** *Should the government at all play any role in stabilising the prices?*

Think you are Anand, a small farmer of wheat and have 5 quintals of stock with you. You want to sell it to earn some income. There are many small and big farmers of wheat around you. There is a seller of wheat flour Ameya Bani who wants to buy wheat from local farmers to then process it and sell. He offers a price of 5 Rs/kg to buy the wheat but you actually incurred on an average of Rs. 4 per kg in producing your wheat. You are not very willing to sell the wheat to Ameya Bani because it does not give you much income. But there is no one else who is willing to offer you a better price. Moreover, the buyers like Ameya Bani know that they are big buyers and they can very well buy goods from any other farmer if you do not sell your produce to him.

What will you do?

What if your actual producing cost was 5 Rs/kg or maybe 6 Rs/kg?

Suppose you decide to sell your produce.

Now Ameya Bani and his friends buy 100 quintals of wheat and produce 100 quintals of flour. The market price of flour is 10 Rs/kg. The friends bought the wheat at 5 Rs/kg and their processing cost is 2 Rs/kg. This gives Ameya Bani and his friends a profit margin of 3 Rs/kg. But the friends want to become billionaires and thus, they feel disheartened that they are not making more money. But Ameya Bani has read economics! He makes a plan to only bring 500 quintals of wheat flour to the market and hoard the rest in his big factory in Ant Hill A.

What will now happen to the price of wheat flour?

When the price has now increased the Ameya Bani and co bring in the rest of the wheat flour in small batches and sells all their produce at a much higher price! The market still works on demand and supply but the big brothers have managed to get the forces on their side.

Ashok, a poor worker in the city and brother of Anand, who eats roti as a staple food now is very stressed with the increase in wheat flour prices and decided to eat meal only once in a day.

With everything that you have learned about demand, supply, prices and equilibrium, think about why you agree or do not agree with below arguments for and against a price regulation policy of the government—**Minimum Support Prices:**

### Minimum Support Prices

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• MSPs disrupt the natural supply and demand dynamics of a market, leading to artificial shortages or surpluses of goods and thus deviating the price from the equilibrium.</li> <li>• They have the potential to create inflation in the economy and thus reduces consumer welfare and make them worse off.</li> </ul> | <ul style="list-style-type: none"> <li>• MSPs insure the farmers against any price uncertainty and thus create stable income for them.</li> <li>• Moreover, the grain procurement that accompanies this policy ensures the right to food security to ~67% of India's poor citizens.</li> </ul> |
|--|--|

In the previous example of Anand, Ashok and Ameya Bani, think what would have happened if the government had set up an MSP for wheat?

# INEQUALITY & POVERTY

ADITI PRIYA & TEJASWINI TABHANE

## 1. WHAT IS POVERTY?

The state of one who **lacks** a usual or **socially acceptable** amount of **money or material** possessions. Poverty is said to exist when people lack the **means** to satisfy their **basic needs**.

—*Encyclopaedia Britannica*

“Fundamentally, poverty is a **denial of choices and opportunities**, a **violation of human | dignity**. It means a lack of basic capacity to **participate** effectively in society. It means not having **enough** to *feed* and *cloth[e]* a family, not having a *school* or *clinic* to go to, not having the *land* on which to grow one’s *food* or a *job* to earn one’s *living*, not having access to *credit*. It means **insecurity, powerlessness and exclusion** of **individuals, households and communities**. It means susceptibility to violence, and it often implies living in marginal or fragile environments, without **access** to clean water or sanitation.”

—*United Nations, 1998*

To summarise, Poverty is–

- a. **Lack** of “something”
- b. **Denial** of “something”
- c. **Inaccessibility** of “something”

- **Various understandings of Poverty–**

*The World Bank defines poverty as ‘pronounced deprivation in well-being’.*

Poverty can be defined **narrowly** or more **broadly**, depending on how *well-being* is understood:

- Poverty is a pronounced deprivation in well-being.
- *Income or consumption* poverty refers to lack of monetary resources to meet needs.
- *Absolute* poverty is poverty below a set line of what is required to access minimum needs for survival.
- *Relative* poverty is set in relation to others.
- Shelter poverty, food poverty, asset poverty, time-poverty or health poverty refer to lack of that specific good.
- *Multidimensional* poverty recognises the many different ways in which people can be deprived.
- The *transiently poor* move in and out of poverty.
- The *chronically poor* are poor for years at a time or even their whole lives.
- *Vulnerability to poverty* is the probability or risk of being in poverty or falling into poverty in the future.

## POVERTY LINES

A critical **threshold** of income, consumption, or, more generally, access to goods and services **below** which individuals are **declared** to be **poor**.

*The poverty line, then, represents a **minimum** level of “**acceptable**” economic participation in each society at a given point in time.*

### The universal standard for measuring global poverty:

- The World Bank set the poverty line at \$1.25 a day in 2005.
- It was later revised to \$1.90 a day in 2015.

*Note: The World Bank now reports on two higher-value poverty lines: \$3.20 and \$5.50 per day. These lines, which are typical of standards among lower- and upper-middle-income countries, respectively, are designed to complement, not replace, the \$1.90 international poverty line*

### **Think!**

- a. Why \$1.90 a day? How does one arrive at a particular number?
- b. What is the difference between a person who earns \$1.80 a day and another who earns \$1.95 a day?

### Head Count Ratio (HCR):

HCR is the *proportion* of population who are **below** the poverty line,  $p$



### Poverty Gap Ratio:

PGR is defined as the ratio of the **average of income** (or extra consumption) needed to get **all** poor people to the poverty line, divided by the **mean income** (or consumption) of the society.

- **CAPABILITY APPROACH TO POVERTY**

- Poverty as capability deprivation, as articulated by **Amartya Sen (1987)**, looks at well-being arising through people's **ability to function in society**.
- Poverty arises when people lack key **capabilities** and so have 'inadequate income or education, or poor health, or insecurity, or low self-confidence, or a sense of powerlessness, or the absence of rights such as freedom of speech'

"What the capability perspective does in poverty analysis is to enhance the understanding of the nature and causes of poverty and deprivation by shifting primary attention away from means (and one particular means that is usually given exclusive attention, viz., income) to ends that people have reason to pursue, and correspond-ingly, to the freedoms to be able to satisfy these ends."

–Amartya Sen.

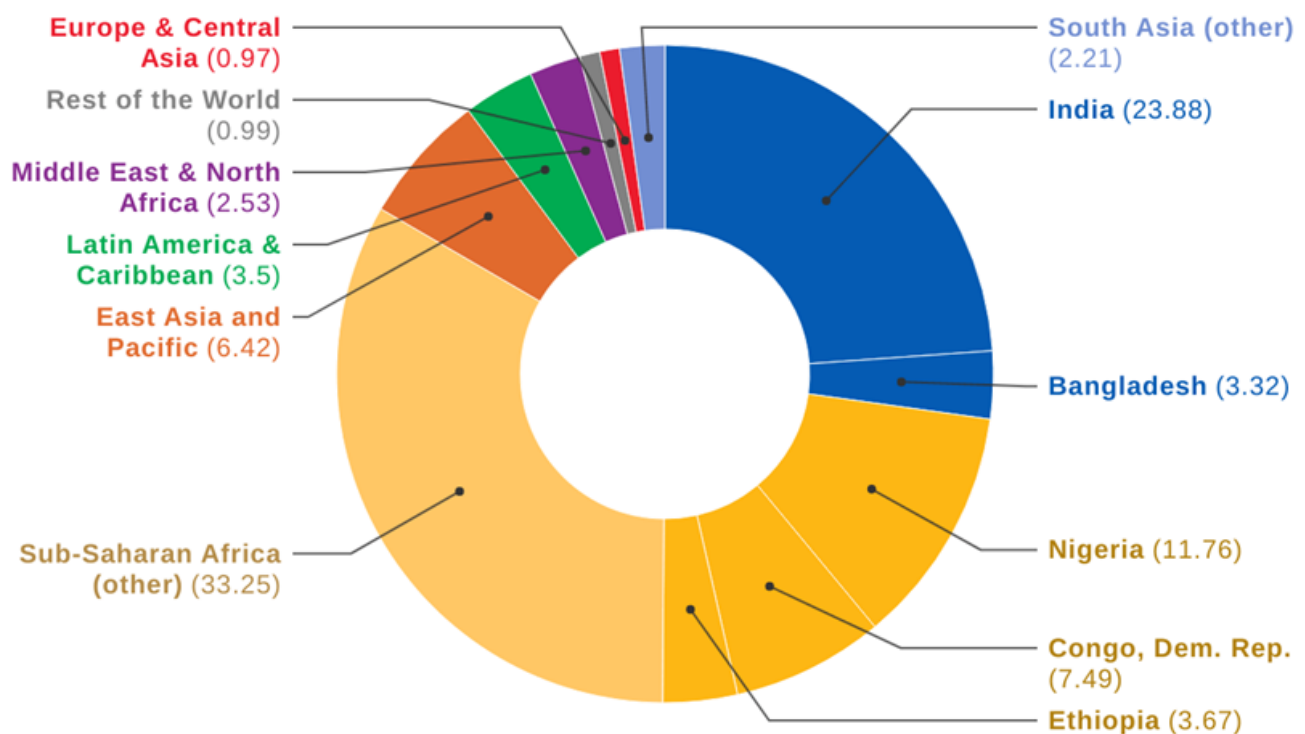
## Viewed in this way, poverty is a **multidimensional** phenomenon

- **MULTIDIMENSIONAL POVERTY INDEX (MPI)**

The **global Multidimensional Poverty Index (MPI)** produced by the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative **measures poverty** by considering various **deprivations** experienced by people in their daily lives, including **poor health, insufficient education, and a low standard of living**.

## Half of the world's poor live in just 5 countries

Share of poor people in the world by region or country, 2015



Source: PovcalNet • Embed this chart

## ANTI-POVERTY POLICIES

There are two types of anti-poverty policies:

- Protection policies provide short-term palliatives by assuring that current consumptions do not fall below some crucial level, even though poor people remain in persistent poverty.
- Promotion policies allow poor people to break out of poverty, by permitting a sufficiently large wealth gain, to put them on a path to eventually reach their own (higher and stable) steady state level of wealth.

Some examples of anti-poverty schemes in India:

1. National Rural Employment Guarantee Act, 2005: To ensure the security and livelihood of people in rural areas, this act guarantees a minimum of 100 days of wage employment.

2. Public Distribution System (PDS): PDS aims to manage food scarcity and distribute essential food commodities at affordable prices. The Targeted Public Distribution System (TPDS) launched in June 1997, to allocate food resources to the poor.

3. Pradhan Mantri Awaas Yojana-Gramin (PMAY-G): Through this scheme, the government commits to realising housing for all, by 2022. The aim is to provide solid and permanent housing with all the basic amenities including toilet, LPG connection, electricity connection and drinking water.

## GROWTH AND DEVELOPMENT

“We all have intuitive notions of “development.” When we speak of a developed society, we picture in our minds a society in which people are well fed and well clothed, possess access to a variety of commodities, have the luxury of some leisure and entertainment, and live in a healthy environment. We think of a society free of violent discrimination, with tolerable levels of equality, where the sick receive proper medical care and people do not have to sleep on the sidewalks. In short, most of us would insist that a minimal requirement for a “developed” nation is that the physical quality of life be high, and be so uniformly, rather than being restricted to an incongruously affluent minority.”

–Debraj Ray

## HOW DO WE KNOW IF A SOCIETY IS “DEVELOPED”?

### Gross National Product (GNP):

- The state of material well-being of a nation is captured quite accurately in its per capita gross national product (GNP).

### Gross Domestic Product (GDP):

- GDP measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time (say a quarter or a year). It counts all of the output generated within the borders of a country.
- GDP-per capita is GDP divided by total population of the country.

Economic growth refers to an increase in the size of a country's economy over a period. The size of an economy is typically measured by its total gross domestic product.

Since economic development at the national level was adopted as a conscious goal, there have been long phases during which development performance was judged exclusively by the yardstick of per capita gross domestic product (GDP) growth. In the last few decades, this practice increasingly has come under fire from various quarters.

### Some limitations of GDP as a measure to capture Development:

- Development is not just about income, although income (economic wealth, more generally) has a great deal to do with it
- Correlation between GNP/GDP and other desired features of development is not automatic, and that in many cases such connections may not be present at all
- GDP or GDP-per capita does not tell us about how the income is distributed within a country's population

**Development is a multidimensional undertaking to achieve a **higher quality of life for all people****

*—United Nations*

## HOW TO MEASURE DEVELOPMENT AND INEQUALITY?

### Human Development Index

The Human Development Index (HDI) is a **summary measure** of average achievement in key dimensions of human development:

- a long and healthy life,
- being knowledgeable and
- have a decent standard of living.

The HDI is the **geometric mean** of normalized indices for each of the three dimensions.

### Inequality

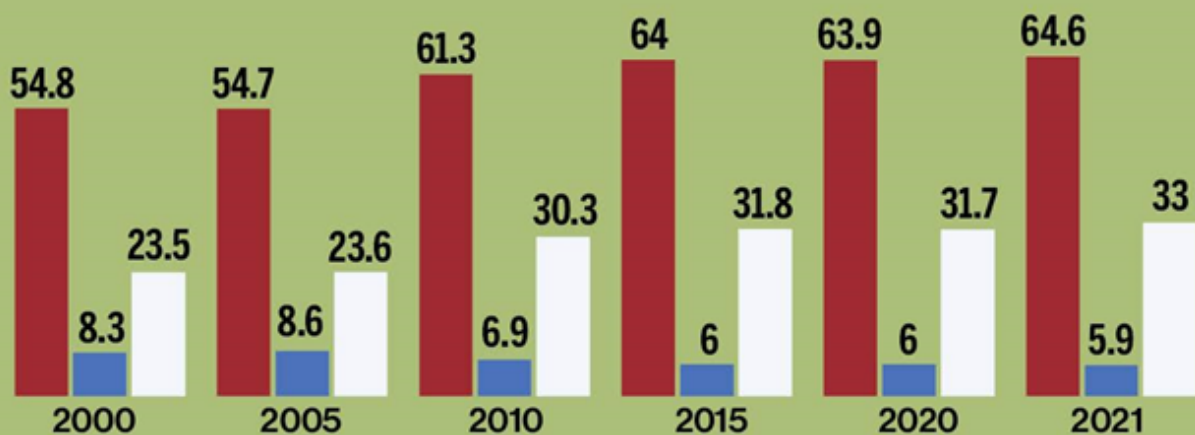
Economic inequality is the **fundamental disparity** that permits one individual certain material choices while denying another individual those very same choices.

Poverty is related to, yet distinct from, inequality. Inequality is concerned with the full distribution of wellbeing; poverty is focused on the lower end of the distribution only – those who fall below the poverty line.

BusinessToday.In

## WEALTH INEQUALITY, INDIA 2000-2021

■ Top 10% share of income    ■ Bottom 50% share of income    ■ Top 1% share of income



Note: wealth= total value of non-financial and financial assets held by households

Source: World Inequality Database

Inequalities are ‘fundamentally about relational disparities, denial of fair and equivalent enjoyment of rights, and the persistence of arbitrary discrepancies in the worth, status, dignity, and freedoms of different people’ (UNICEF & UN Women, 2013).

Economic inequality is often found in conjunction with other social inequalities faced by people marginalized because of identities such as gender, disability, race, ethnicity, caste, religion or language – resulting in intersecting – and mutually reinforcing – inequalities.

There are two prominent perspectives on inequality: inequality of outcomes which include level of income or level of educational attainment, and inequality of opportunities, as a result of differences in background, social treatment and conditions, indicated by unequal access to employment or education, for example. Opportunities are harder to observe and measure than outcome.

# MACROECONOMICS OF INEQUALITY

ZICO DASGUPTA

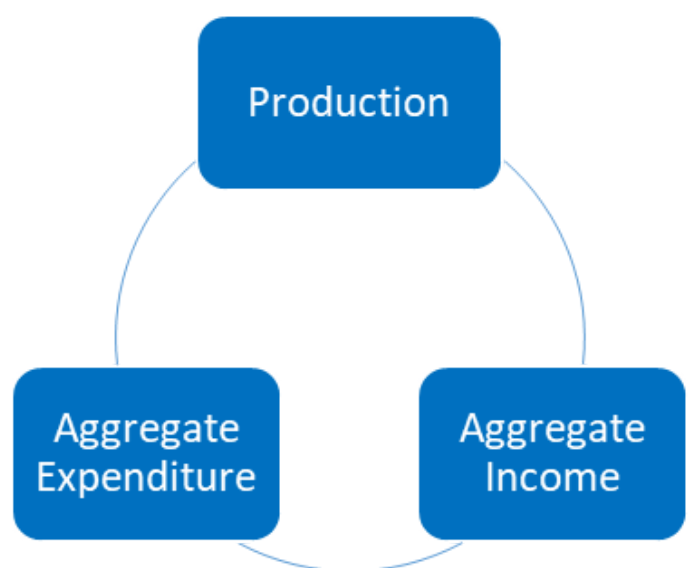
**The capitalists are the owners of assets or capital by which they can carry out production, buy labour hours and control the process of production.**

**Concept and Context:** Gross domestic product (GDP) is the aggregate output produced in a country. It includes everything from toothbrushes to tractors, shoes, haircuts, street cleaning, steel, automobiles, books and the millions of other services and products in the economy. It is used as an aggregate indicator to describe the level of economic activity of a country.

There are 3 measures of GDP- aggregate expenditures, aggregate income, and aggregate production. Aggregate expenditure is the total spending made by households, firms, the government, and residents of other countries on the home economy's products. Aggregate income is the sum of all the incomes received in the economy and comprises of wages, profits, the incomes of the self-employed and taxes received by the government. Production is the total value addition of goods and services by all producers of an economy.

The 3 measures of GDP are related to each other by what is termed as circular flow of income. The term circular flow emerges from a group of

eighteenth-century economists in France called the Physiocrats who described the functioning of an economy like the circular flow of blood in the human body. The notion of circular flow refers to the fact that money flows (i) from the spender to the producer, (ii) from the producer to its employees or shareholders and then (iii) is spent again on buying further output. This circular relation can be described as figure 1.



In the presence of circular flow of income, total expenditure equals total production and total production equals total income. The circular flow reflects an important distinction between an individual on one hand and the macroeconomy on the other. Though expenditure of an individual depends on her income, there exists no a priori reason why her income would rise when she incurs additional expenditure.

However, in the case of macroeconomy, expenditures and income are intrinsically related. If expenditures are increased for the entire economy, they can generate higher aggregate income as money flows from spenders to producers and from producers to workers or shareholders.

**Analysing the Trend in GDP:** The GDP can be calculated as the sum of purchases made on goods and services produced in an economy and comprises of 4 broad components- consumption, capital formation (investment), government expenditure and net exports.

Consumption includes the goods and services purchased by households. Capital formation or investment expenditure is the spending on new equipment, new commercial buildings and the construction of new housing. Government expenditures represents the consumption and investment purchases by the government. Exports are domestically produced goods and services that are purchased by households, firms, and governments in other countries. Imports are goods and services purchased by households, firms, and governments in the home economy that are produced in other countries. Net export is the difference between export and import.

Higher production is associated with rise in expenditures of any of these four broad components. One useful way of examining the source of higher production is to ask the following question: which of the expenditure components are primarily responsible for output expansion? Addressing this question requires analysing the manner in which the share of each expenditure component changes during the course of output expansion.

One key indicator for analysing the extent of output expansion (or contraction) is GDP growth rate. If the level of GDP in 2021-22 is Rs 50 and it increases to Rs 53 during 2022-23, then GDP growth rate during 2022-23 is 6%. It is a measure of the extent to which output has increased (or decreased) during a specific period.

In the last 3 decades, episodes of higher growth in India have been associated with rise in the share of investment and exports in GDP. Similarly, periods of lower growth have been associated reduction in the share of investment and exports in GDP.

## OUTPUT AND MACROECONOMIC THEORY:

Consider an economy which produces Rs 100 worth of goods and services. By accounting rule, we know that both aggregate expenditure and income will be equal to Rs 100. But accounting rule does not tell us anything about the way output is determined. When does a country witness expansion in output? What are constraints that the output confronts? The answer to these questions depend on the specific features of an economy.

**Demand Constraint:** Since commodities in a capitalist economy are produced for the market, the level of commodity production is primarily decided by what 'the market will take'. The size of the market is determined by aggregate demand or expenditures. Thus in aggregate sense, production can be determined by level of aggregate demand. An economy where production is determined by the level of aggregate demand is termed as demand constrained economy.

Aggregate demand as the sum of consumption, capital formation, government expenditure and net export depend on various factors. Among other things, it depends on the level of disposable income and interest rate. Disposable income is income net of taxes. Government expenditure and taxes depend on the nature of fiscal policy. Investment expenditures of private sector depends on expected profits and interest rates. Exports depends on the level of global demand, prices of domestic and foreign countries and nominal exchange rate. Since purchase depends on income, imports are affected by income.

There exists no a priori reason why the aggregate demand would be exactly such that a country produces the maximum or the potential output it is capable of producing by using all its resources. This is because a component of expenditure, namely private investments, are incurred based on expected profits. Since individual capitalists form their expectations without fully knowing the expectations of other capitalists, they invest without fully knowing how much others are investing or the size of the market. This coordination problem among capitalists while taking investment decisions can create a situation where aggregate expenditure happens to be lower than the potential output of a country.

Any rise in investment, export or government expenditure increases output of a demand constrained economy on two counts. Firstly, higher spending on commodities directly increases their production by creating more demand. Secondly, since consumption depends on income and higher spending generates greater income, higher non-consumption expenditures like investment, export and govt.

expenditures also generates additional consumption expenditure by augmenting income. Such mechanism where an economy registers a sequence of output expansion due to higher expenditure is called the multiplier effect. In the last 3 decades, episodes of higher growth in India have been associated with rise in the share of investment and exports in GDP. Similarly, periods of lower growth have been associated reduction in the share of investment and exports in GDP.

**Structural Constraint:** Over and above demand constraints, the GDP of a developing country can also confront what can be termed as structural constraint. There are primarily two kinds of structural constraints.

The first is agrarian constraint, where output gets constrained by the availability of agricultural-goods at any given prices. Any attempt to increase demand can bring about sharp increases in agricultural prices and inflation rate that eventually becomes unsustainable. The GDP of such economies can be increased by implementing policies that augment agricultural output at given agricultural prices.

The second structural constraint can be posed by the availability of foreign exchange reserves. Output cannot be increased by increasing demand since paying additional import bills become infeasible due to lack of foreign exchange. The necessary condition for increasing GDP in such economies is to increase the availability of foreign exchange reserves.

**India's Growth Regimes:** The Indian economy has confronted various kinds of constraints in different periods since its independence. The growth slowdown during 70s was on account of agrarian constraint, whereas the economic crisis

of 1991 reflected a binding foreign exchange constraint. The introduction of New Economic Policies in early 90s relaxed the structural constraints considerably due to greater access of foreign exchange reserves and higher agricultural surplus. However, since the 90s or what can be described as the post-liberalisation period, the GDP has been constrained by the level of aggregate demand.

The high and low growth phases in the Indian economy during liberalisation period can be largely explained in terms of similar changes in global demand. Changes in global demand affects exports and demand, whereas it brings about changes in investment by affecting expected profits. While global booms led to higher GDP growth rate in India during early 90s and decade of 2000s, global slowdown played a major role since 2017-18 in pushing Indian towards a prolonged economic slowdown.

The growth story that would emerge out of liberalisation period is one of external dependence, where the domestic economy is largely dependent on favourable external economic conditions to keep up demand and growth rates. It indicates the constraints in domestic policies for stabilizing output growth rate.

## FUNCTIONAL INCOME DISTRIBUTION

**Concept and Context:** Functional income distribution categorizes groups of people according to the nature of relationship they have with the production process. Such groups can be termed as classes. The way aggregate income of an economy gets divided among different classes is the central topic of functional income distribution theory. In its simplest form, income generated from production in a capitalist firm can be divided into income of labour and

capital. Income of capital is profit, whereas labour income includes wage income earned by all workers. Income share of labour is the share of wage bill in output. Reduction in wage share would be associated with higher profit share or income share of capital.

The income share of labour registered a sharp decline since the decade of 80s in bulk of the countries across the world with similar rise in the income share of capital. The Indian economy showed similar trend, particularly since the decade of 90s. What are the factors that affect functional income distribution?

**Conflict and Income Distribution:** Workers own a commodity which is essential for production, namely labour hours. They can sell labour hours to capitalists at a price called the nominal wage rate. Controlling production process can involve setting the price of commodities, controlling working hours and affecting the nature of technology used in production. The share of wages or profit depends on nominal wage rates, nature of technology, extent of working hours and prices set by firms.

**Workers use wage rate as an instrument for increasing wage share, whereas capitalists use prices, technology and working hours as instruments to increase their profit share. Labour and capital enter a conflicting relationship within production process as income shares of labour and capital are affected by relative bargaining strength of labour and capital.**

Higher nominal wage rate leads to higher wage income for all workers and hence, increases wage share. While wage rate depends on the bargaining power of workers, the latter depends on existing macroeconomic policy framework, nature of labour laws and other institutional or economic factors.

## EMPLOYMENT & UNEMPLOYMENT

**Key Concepts:** Some of the key indicators of labour market are labour force participation rate, employment rate and unemployment rate.

The labour force participation rate is the share of labour force in working age population. While working age population indicates the number of people within a specific age group who may potentially seek job, the labour force includes people in working age population who are actually seeking jobs. The part of working age population who are not seeking jobs can be termed as out of labour force (inactive).

Labour force can be either employed (including self-employed) or unemployed. Employed can be either located in non-agricultural formal sector or non-agricultural informal sector or agricultural sector. The unemployed are the people who were seeking job, but were without work during a reference period.

Employment rate is the share of total employed in working age population. The unemployment rate is the share of unemployed in labour force. The relation between working age population, labour force, employed and unemployed is described in figure 2.

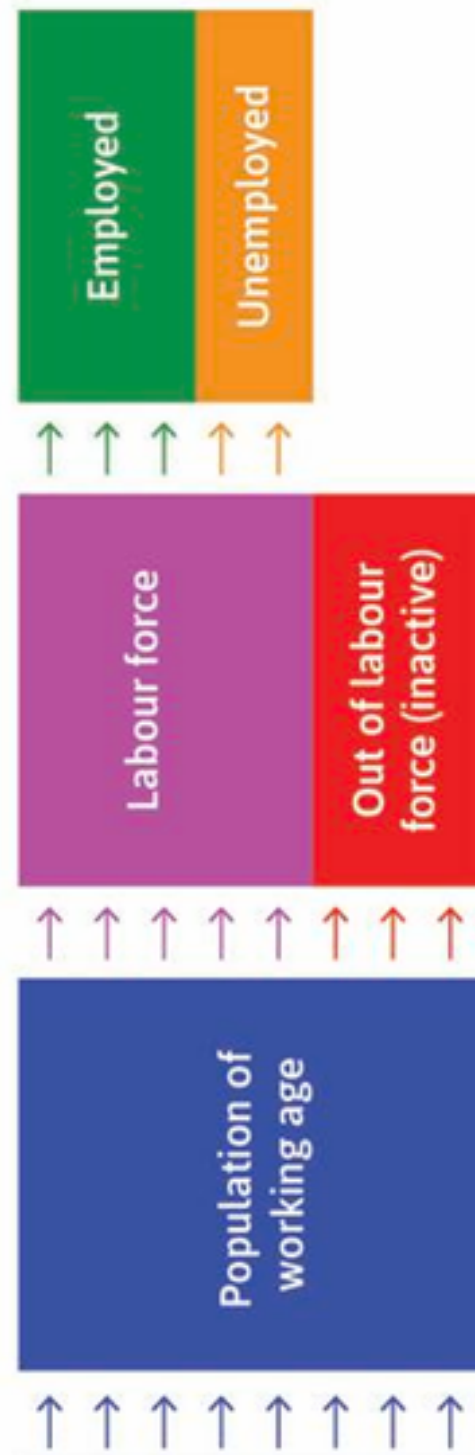


Figure 2: The Labour Market

**The Employment Question:** As compared to developed countries, the extent of unemployment in a developing country like India has been historically low. This is because unlike developed countries, India does not provide social security to the unemployed. Rather, what has persisted in the Indian economy are low-income jobs in informal and agricultural sector. Thus, one of the central challenges of developing countries like India has been to increase employment in non-agricultural formal sector. The total amount of workers hired in the formal sector depends on the amount of labour demanded by firms. Labour demand depends on two factors.

Firstly, since the purpose of buying labour hours is using it for the production of other commodities, the demand for labour hours depend on the level of output or aggregate demand. Higher the level of production, higher is the labour demand and employment in formal sector. Secondly, the extent of labour demand depends on the nature of technology. Greater the use of labour-saving technology, greater will be labour productivity and lower would be labour demand for the production of any given output.

The Indian economy in the recent period has confronted particular constraint on the employment question. During different episodes in the last 3 decades, the factors that adversely affected labour demand were either greater use of labour saving technologies or lower output growth rate.

**Policy Debate:** In the context of the labour market, there are primarily two kinds of policies that have been debated in the recent period. First is the policy for labour reform, whereas the second involves implementation of employment guarantee programs.

Labour reform policies typically involve reduction in minimum wage rate, extension of the working hours and increase in flexibility to hire-and-fire. Each of them reduces unit labour cost or share of wages in output either by reducing wage rate or by reducing the amount of workers required to produce a given amount of output. The proponents of labour reform explain employment constraint in India in terms of “too high wages”, whereby absorbing additional workers become unprofitable for firms. Since ‘high wages’ is explained in terms of existence of rigid labour laws, implementation of labour reforms is argued to reduce unit labour cost of firms. Following a reduction in labour cost, capitalists are assumed to use this additional fund for hiring more workers and producing more output.

There are two central limitations of this argument. Firstly, it ignores the fact that production and investment decisions are based on the expectation about how much the market will absorb, instead of availability of resources or savings per se. Thus, lower labour cost or availability of additional funds per se does not guarantee additional production or jobs. Secondly, it ignores adverse impact of reduction of labour cost and wage share on aggregate demand and production. In the case of Indian economy, reduction in wage share has been found to have a negative effect on aggregate demand. In short, the argument for labour reform is based on unrealistic assumptions.

In contrast, employment guarantee programs typically explain lack of labour demand either in terms of low output demand or use of labour-saving technology. Instead of private firms, here the government is supposed to purchase additional labour hours at a given wage rate and

generate additional labour demand. If there exists other constraints on GDP, then increasing government expenditures through employment guarantee programmes can be expected to increase employment of a country.

## NOTES FROM ORGANIZERS: BAHUJAN ECONOMISTS

Aditi Priya

Bahujan Economists (BE) was started in 2020 by Aditi Priya to improve the representation of underrepresented groups in Economics and Policy circles. We strive to create a channel in these circles where an alternative to the mainstream neo-classical approach is imagined, encouraged, and implemented. BE has organized sessions on various policy-related topics for which it has invited people working on the ground and who are at the receiving end of those policies.

With the same spirit, BE has collaborated with Azim Premji University and School For Democracy to organise this workshop to make the economy and policy-related knowledge less alien and accessible in non-technical jargon-free language to people engaged with rights-based activities. BE believes that any policy concerning common people should be informed of what the people need. Demystifying Economics is an important intervention in that direction where some basic but important economic concepts are covered, the policy-making process is discussed, and an alternative way to the current policy-making approach is imagined.

**माया-मुक्त अर्थशास्त्र :**

**भारतीय अर्थव्यवस्था और संवैधानिक  
अधिकारों पर एक कार्यशाला**

**लाभुक नहीं हक़दार हैं**

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**आयोजक :**

**अज़ीम प्रेमजी विश्वविद्यालय**

**बहुजन एकनॉमिस्ट्स**

**लोकतंत्रशाला**

**स्थान: अज़ीम प्रेमजी**

**विश्वविद्यालय (बैंगलोर)**

**16-26 अगस्त, 2023**

# QUANTITATIVE METHODS

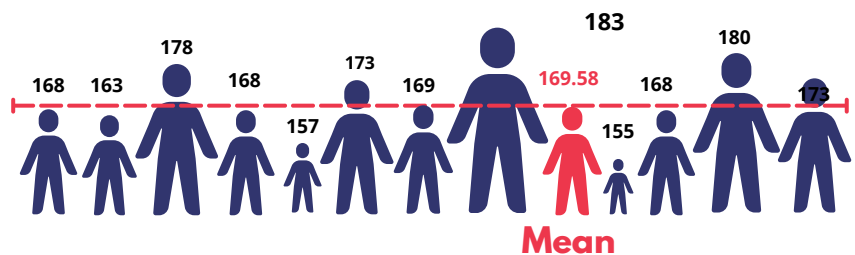
TAMOGHNA HALDER

## MEASURES OF CENTRAL TENDENCY

Below we have sample data (also called observations) on the heights of 12 individuals (in cm). We will measure the centre of the data using mean, median and mode

### Mean

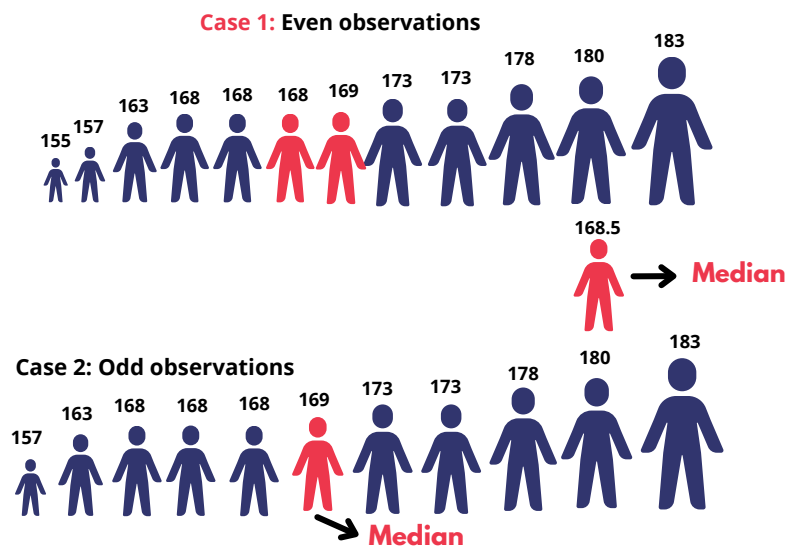
The mean or the average value is obtained by adding all the heights and dividing it by the number of people.



### Median

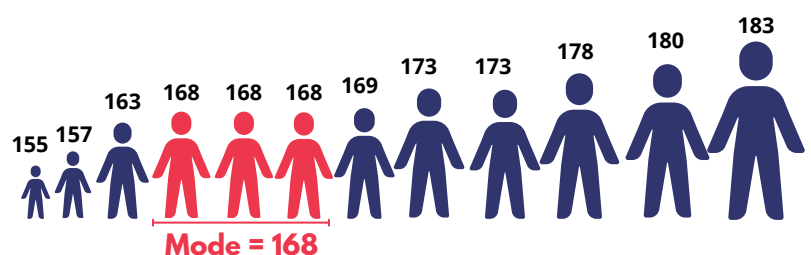
Median is the midpoint of the data. Note that if we have even number of observations (see median case 1 below), we simply take the average of the middle two observations to measure median.

**Remember to sort the data into ascending or descending order before finding the median! Clearly, mean is affected by extreme values in the sample while median and mode are not!**



### Mode

Mode is the most frequently occurring observation in a dataset. There can be more than one mode in the dataset.

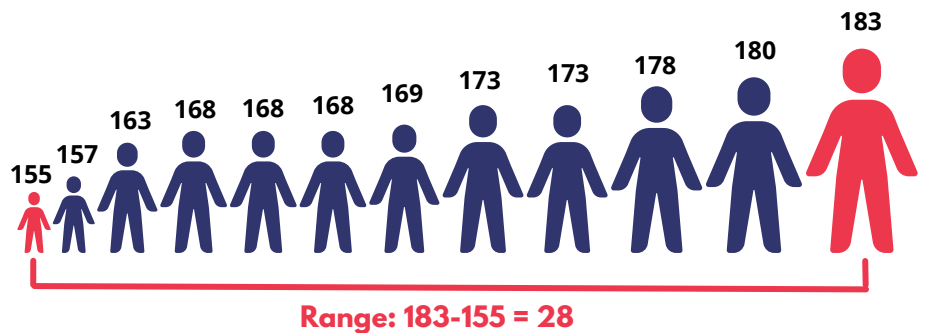


# MEASURES OF SPREAD

Measures of dispersion tell us about the variability; or how different the values in the data are.

## Range

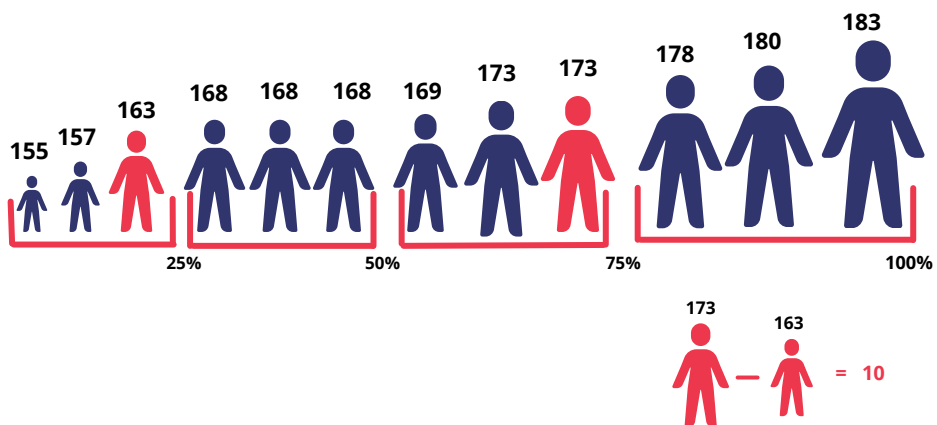
Range is the difference in heights between the tallest and the shortest in the dataset. It gives the spread of heights in the entire dataset.



## Interquartile Range (IQR)

Interquartile range tells us the spread of the middle 50% of the dataset. To find IQR, we divide the dataset into blocks of 25% called quartiles, and subtract the 75% from 25%.

**Clearly, range is affected by extreme values in the sample, while interquartile range is not!**



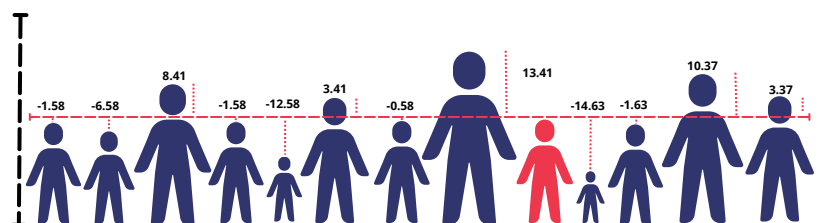
## Variance

Variance is the sum of squared deviations from the mean height divided by the number of people minus 1\*. It tells us overall how different the observations are from the mean value.

We get variance in cm square. To measure the spread in comparable units, the square root of variance; the standard deviation is used.

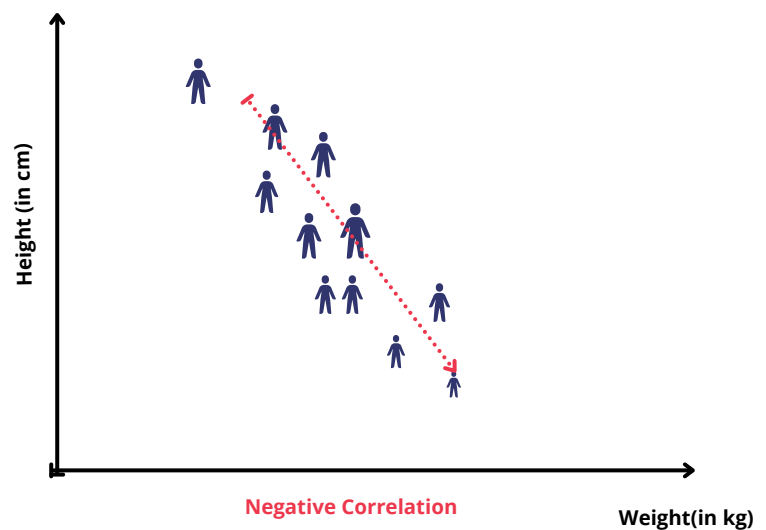
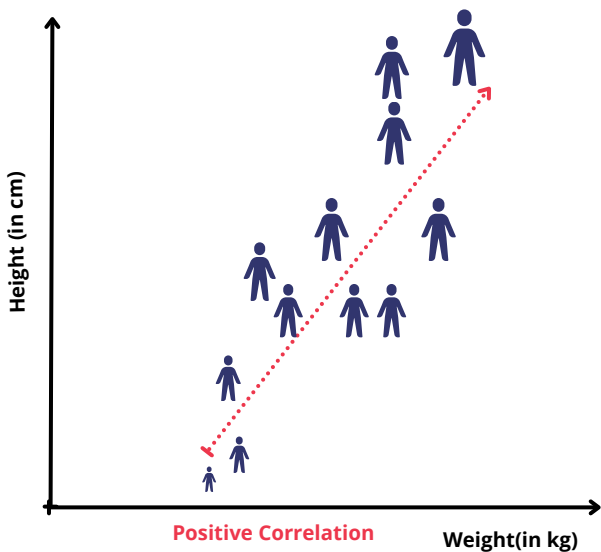
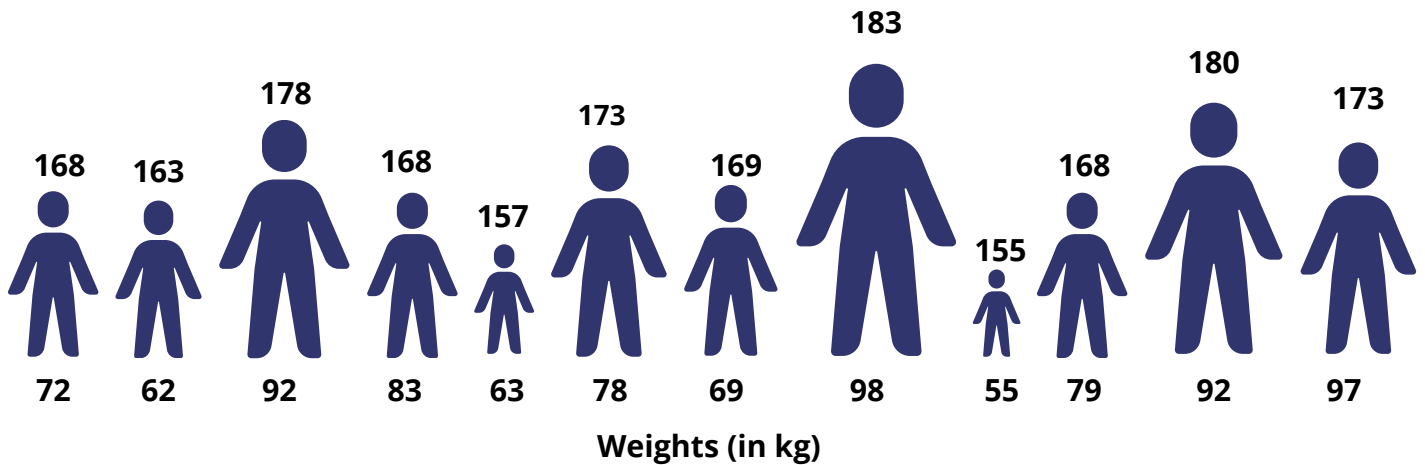
$$\frac{(-1.58)^2 + (-6.58)^2 + (8.41)^2 + (-1.58)^2 + (-12.58)^2 + (3.41)^2 + (-0.58)^2 + (13.41)^2 + (-14.63)^2 + (-1.63)^2 + (10.37)^2 + (3.37)^2}{12-1} = 73.17$$

**Standard Deviation = 8.55**



# CORRELATION

To understand correlation, we use the heights (in cm) and weights (in kg) of our dataset.



We see that people who are taller also weigh more. That is, height and weight move together. We plot the data points and see an upward sloping line. This is a **positive correlation**.

Similarly, for other variables we can have **negative correlation** (downward sloping line) or **no correlation** at all (no obvious upward or downward sloping line).

# CALCULATING USING EXCEL

	A	B
1	Height	Weight
2	155	55
3	157	63
4	163	62
5	168	72
6	168	83
7	168	79
8	169	69
9	173	97
10	173	78
11	178	92
12	180	92
13	183	98

**Mean Height** =AVERAGE(A2:A13)

**Median Height** =MEDIAN(A2:A13)

**Mode Height** =MODE.SNGL(A2:A13)\*

**Range of Height** =MAX(A2:A13)-MIN(A2:A13)

**IQR of Height** =QUARTILE.INC(A2:A13,3)-  
QUARTILE.INC(A2:A13,1)\*\*

**Variance of Height** =VAR.S(A2:A13)\*\*\*

**Standard Deviation of Height** =STDEV.S(A2:A13)\*\*\*

**Correlation** =CORREL(A2:A13,B2:B13)

## Note:

\*MODE.SNGL() returns the lowest mode in case of multiple modes. To get the array of multiple modes, use MODE.MULT().

\*\*QUARTILE.INC() calculates quartiles while including the median in the data. To exclude the median from quartile calculation, use QUARTILE.EXC(). Both measures are considered correct.

\*\*In the input to QUARTILE.INC, 3 and 1 represent 75% and 25% quartiles respectively.

\*\*\*VAR.S and STDEV.S return sample variance and sample standard deviation respectively. To get population variance and standard deviation use VAR.P and STDEV.P.

# IT'S ALL ABOUT THE CHARTS!

Graphs present data in a quick, understandable and visually appealing manner.

Q: What is a variable?

A: Things that change!

Q: For example?

A: Height (varies across individual), Price of Oil (varies over time) and so on..

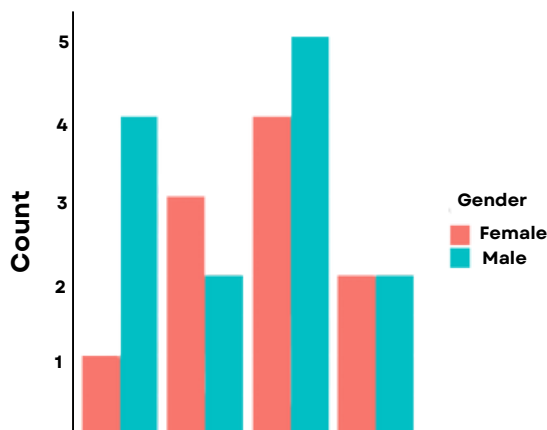
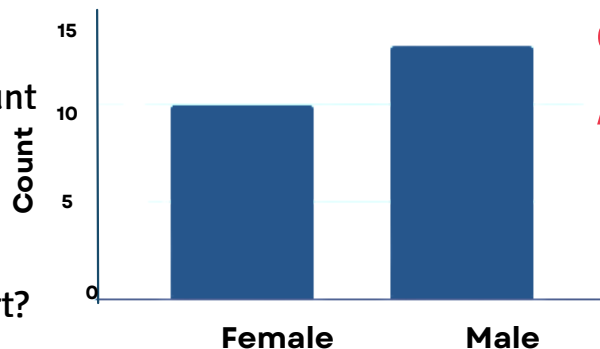
Q: Okay, but is there anything that doesn't change?

A: Yes, speed of light!

## Simple Bar Plot

Vertical rectangular bars measure the count of a variable.

Q: How many female farmers are present according to the chart?



## Multiple Bar Plot

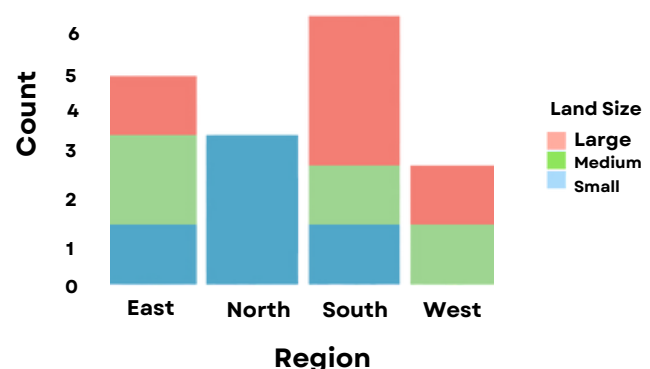
For comparing across different groups. Each group has its own vertical bar.

Q: How many farmers in the North are male?

## Stacked Bar Plot

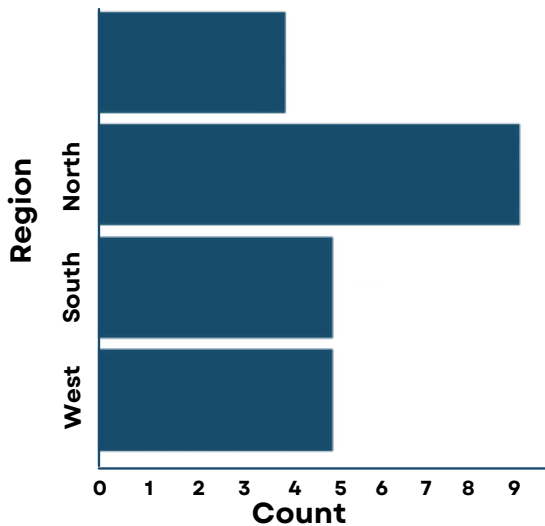
For comparing across different groups. Counts for each group stacked on top of each other.

Q: How many small farmers are there in the South?



## IT'S ALL ABOUT THE CHARTS!

Graphs present data in a quick, understandable and visually appealing manner.



## Horizontal Bar Plot

Data on horizontal rectangular bars. Useful for spatial data.

Q: How many farmers are from the East?

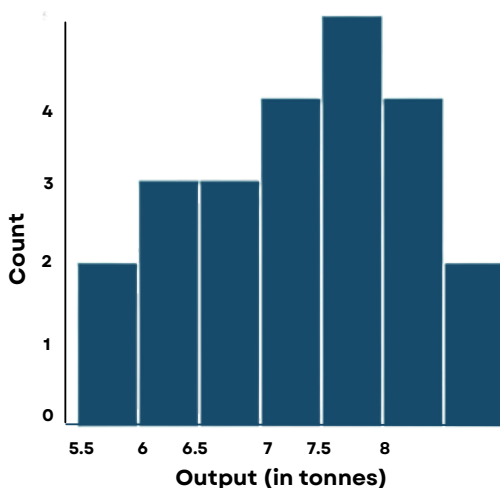
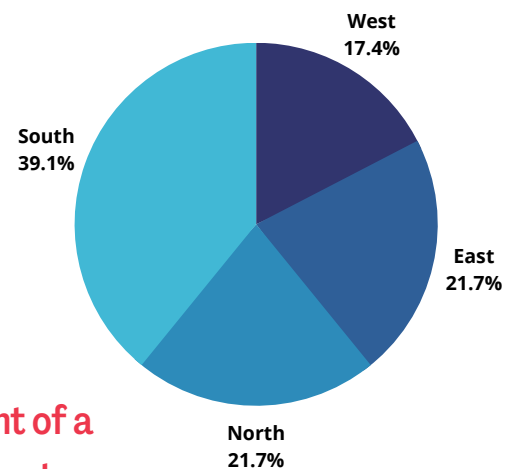
## Pie Charts

A circular chart represents proportions.

Q: What percentage of farmers are from the West?

Q: What is a continuous variable?

A: A variable that can take any value - for example, weight of a person can be 67.33 Kgs. Note, this is different from discrete variable. Example: Number of people in a country!



## Histogram

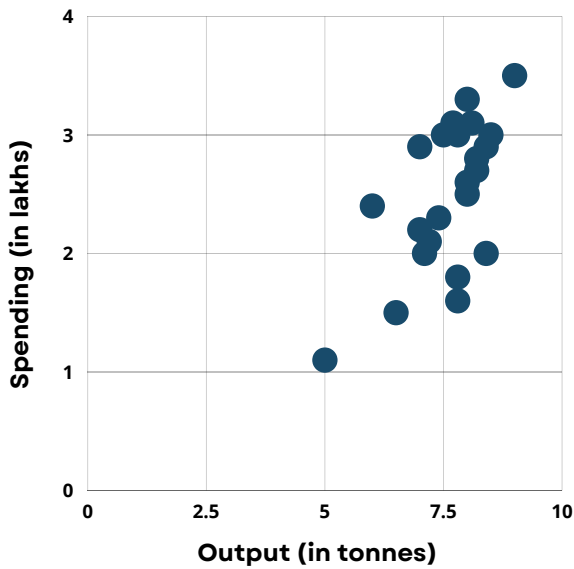
The graph represents the frequencies of continuous data.

Q: How many farmers have an output of less than 6 tonnes?

## IT'S ALL ABOUT THE CHARTS!

Graphs present data in a quick, understandable and visually appealing manner.

## OTHER PLOTS

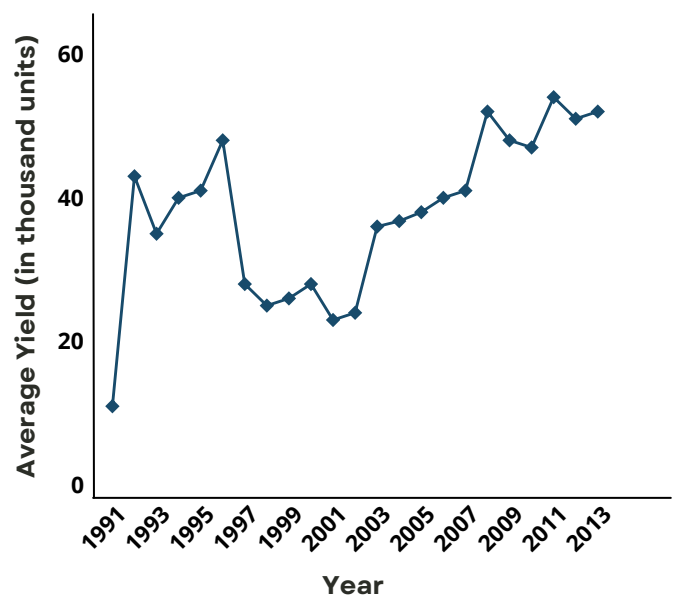


## Scatter Plot

Plots the data.  
Generally used for 2 variables.  
Q: What is the output of the farmer who spends 1 lakh?

## Line Plot

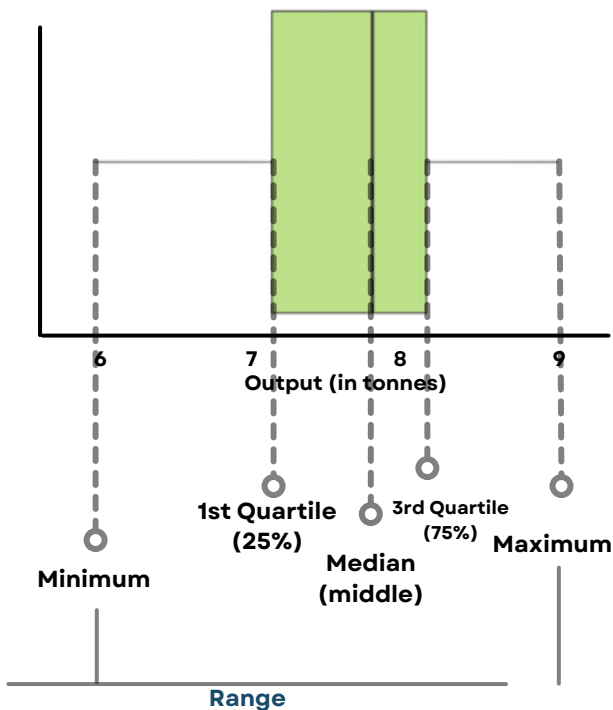
A line through the points helps understand the trend, generally in a data sets that vary over time (also known as time series data).  
If a straight line appears to approximate the data well, the association is linear. Else it is non-linear.  
Q: What was the average yield in the year 2007?



## IT'S ALL ABOUT THE CHARTS!

Graphs present data in a quick, understandable and visually appealing manner.

## OTHER PLOTS



## Box Plot

Any points outside the box plot are outliers, that is, they are exceptions.

## CHARTING IN EXCEL

### STEP 1:

Select the **data** on the excel sheet.

### STEP 2:

Choose the **'Insert'** tab on the menu bar.

### STEP 3:

You will find **icons** of different charts. Choose chart type based on your data.

Use the 'Recommended charts' - if you are not sure of which chart to use

# NATIONAL FAMILY HEALTH SURVEY (NFHS)

The National Family Health Survey (NFHS) is a large-scale, multi-round survey conducted in a representative sample of households throughout India.

## Census vs Survey

### Indicators

### Census

### Survey

Data collection



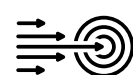
Conducted by



Frequency



Reliability and accuracy



Time taken



Cost



# NFHS Rounds: Timeline

Factsheet: National and State Level (only Key Indicators)

1992-1993

**NFHS - 1**

1998-1999

**NFHS - 2**

2005-2006

**NFHS - 3**

Factsheet: National, State and District Level

2015-2016

**NFHS - 4**

2019-2020

**NFHS - 5**

# Relevance of NFHS



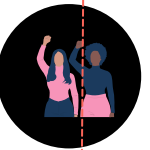
## Global Origin

- NFHS is part of the global demographic and health surveys (DHS) program started in the 1980s and was institutionalized by USAID in 90 countries.
- The DHS Program works with governments to collect and share key information about people, their health and their health systems.



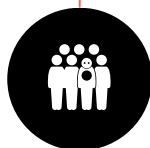
## Reliability

- Economists and policy framers from all over the world use the same standardized survey to take policy decisions regarding health and demographics.



## Strength

- It collects information on a wide range of variables such as health and nutrition, women empowerment, child vaccination, domestic violence, alcohol, and tobacco consumption.
- The data can be disaggregated to the level of districts.
- It helps to track improvements (or deterioration) over time.



## Limitations

- On the successive rounds, the number of questions are varying.
- Men were not interviewed in NFHS round 1 and 2. So we may not be able to compare some variables over time

**We can only attempt to solve social problems if we know their extent, dimensions and depth.**



# HOW TO ACCESS THE NFHS FACTSHEETS

01

Open google and type **NFHS Factsheets** or type the link: **<http://rchiips.org/nfhs/>**

02

Click or move the mouse on any of the **NFHS rounds listed on the left side** of the main page.

03

Click or move the mouse to **Publication**.

04

Once you click on publications, you will find the **following options** referred in the table. Click to the **relevant file for use**

## ITEM

Report

Report and Factsheet – State

Report and Factsheet – State and District

Factsheet – National, State and District

## NFHS

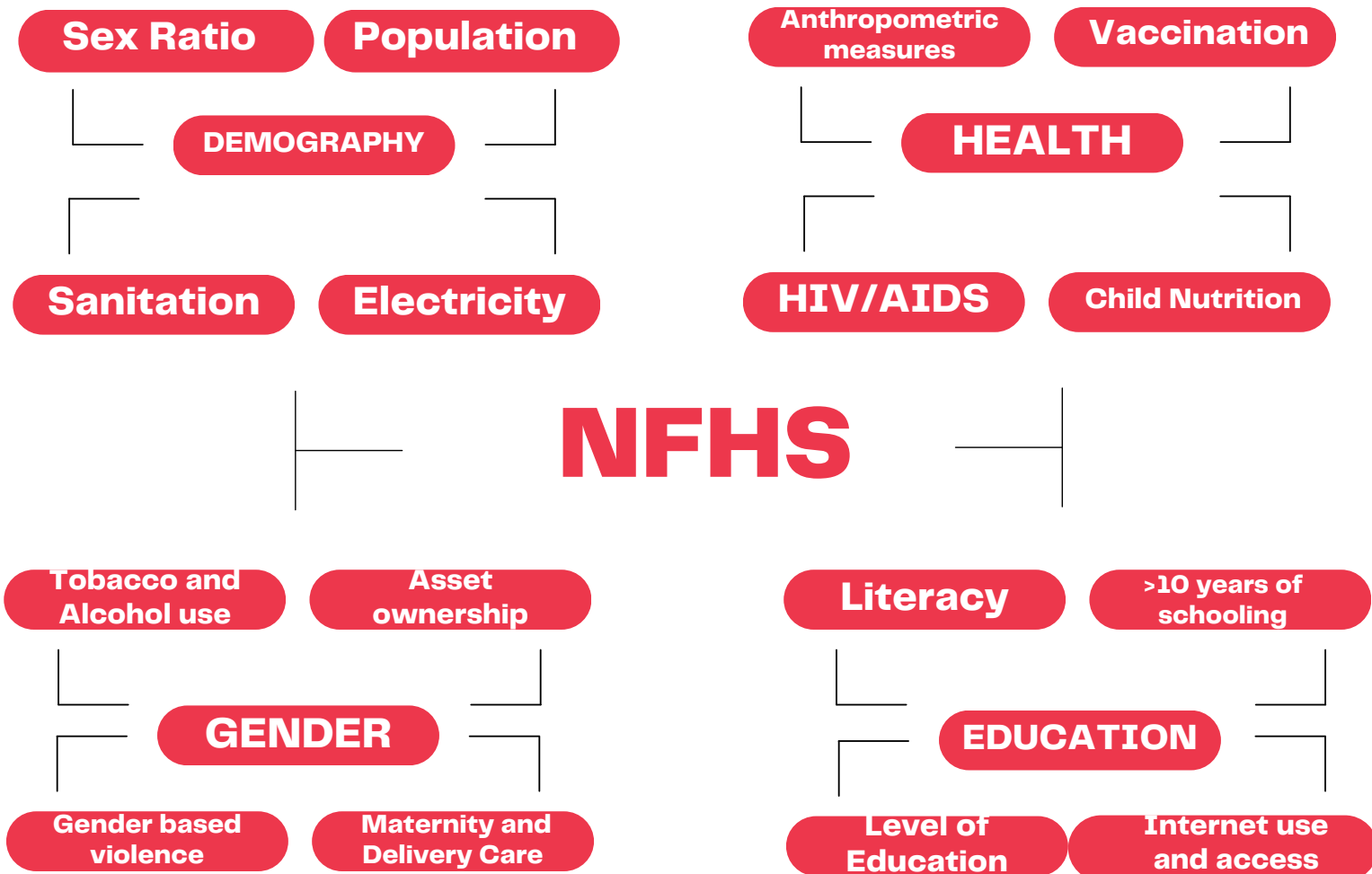
1

2

3

4 &amp; 5

# BROAD ECONOMIC FACTORS THAT ONE CAN LEARN FROM NFHS REPORTS



Note: Information on employment, gender attitudes, wealth index, caste and religion are not available in the fact sheets but are available in the raw data.

# DEMYSTIFYING ECONOMICS: A WORKSHOP ON INDIAN ECONOMY AND CONSTITUTIONAL RIGHTS

RIGHT HOLDERS. NOT BENEFICIARIES



**ORGANISERS:**  
**AZIM PREMJI UNIVERSITY**  
**BAHUJAN ECONOMISTS**  
**SCHOOL FOR DEMOCRACY**

**VENUE: AZIM PREMJI UNIVERSITY (BANGALORE)**  
**AUGUST 16-26, 2023**

# DALIT BAHUJAN ADIVASI RIGHTS

DONTHA PRASHANTH

## Introduction:

Understanding Dalit Bahujan Adivasi Rights from the lens of constitution without their historical nature of emergence obscures their relevance and operationalization for present. Fundamental rights enshrined in constitution were accorded extremely important role, especially attributed as unamendable with their attribution to hold the basic structure of the constitution.

Directive principles for state policy which were incorporated with the view to promote the interests of the depressed classes, and the procedures adopted by state to implement directive principles of state policy were often struck down, as they impeded the nature of fundamental rights. Against this backdrop, in order to understand the scope of the reach of Fundamental Rights and their interpretation in the realm of Judiciary, governance and civil administration, we explore a historical look at the struggles, in particular reference to the anti-caste, Adivasi movements that happened in the pre-independence period.

## Fundamental Rights:

- Right to equality, including equality before law, prohibition of discrimination on grounds of religion, race, caste, sex or place of birth, and equality of opportunity in matters of employment.

- Right to freedom of speech and expression, assembly, association or union, movement, residence, and right to practice any profession or occupation (some of these rights are subject to security of the State, friendly relations with foreign countries, public order, decency or morality).
- Right against exploitation, prohibiting all forms of forced labour, child labour and traffic in human beings.
- Right to freedom of conscience and free profession, practice, and propagation of religion.
- Right of any section of citizens to conserve their culture, language or script, and right of minorities to establish and administer educational institutions of their choice; and
- Right to constitutional remedies for enforcement of Fundamental Rights.

Fundamental rights as enshrined in the Constitution of India have emerged from a context of their absence across the country, with a universalization of rights in franchise, property, governance, and freedom, which otherwise were limited to a set of castes.

However, the interpretation of Rights, in the crucial judgements which were pronounced in the post-introduction of the constitution, for example, the interpretation of the Right to Equality in the State of Madras v. Champakam Dorairajan does away with the historical emergence of the provision, where the existing inequality in disempowering a majority of the citizens from depressed classes was undermined in the nature of the interpretation of the provisions. Similarly in the case of Kesavanada Bharti vs State of Kerala, which interpreted the basic structure of the constitution contained in Part-III of the constitution incorporated with Fundamental Rights as unamendable, in which if one deems the Right to Property as unamendable without looking at the historicity of the nature of the unequal distribution of property from a long history of dispossession and discriminatory allotment of land to socially privileged castes, it derails a majority of the movements which became part of the struggle for independence and securing the tenets of democracy. Further, in the interpretation of Rights, the constituent assembly debates had much more broader context, however in their interpretation by judicial bodies the interpretations by drafting committees or the majority view in the constituent assembly had no place. In such a context it becomes important to look at Rights from the history of struggles in their interpretation, as opposed to the dictionary approach of defining them.

### **Rights through a History of Suffering and Struggle:**

Savitribai Phule and Jyotiba Phule's efforts in mid-18th century to universalize education were in contrast to the customary norms of restricting education to fewer social groups. Mukta Salve was mentored by Savitribai Phule, which could bring out the narrative on the conditions of Mangs and Mahars in the mid 19th century.

Mukta Salve's Essay in 1855 highlights the deplorable conditions of the depressed classes depriving them of the basic human dignity and human rights.

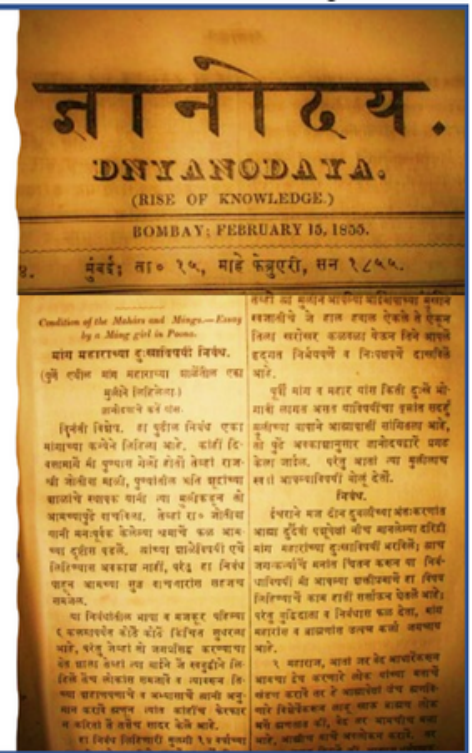
Ayyankali's struggle in 1893 Kerala which began with Villuvandi (Bullock Cart) yatra in led in to the streets which were otherwise not permitted for Dalits to enter, marking the quest for equalizing the public spaces.

Followed by the first massive agrarian strike of agricultural labourers in 1907 to allow the entry of their children in to schools was an indication of both the state of unequal access, as well an indication of the resistance to the structures of inequality.

Dr.B.R.Ambedkar, the chairman of Drafting committee, had himself led many struggles right from organizing agricultural labourers and cultivators in the struggle against Khoti (khots were landlords) system, Mahad satyagraha for the right to life with equal access to drinking water, political representation of marginalized sections,

*“Did they not consider us even lower than donkeys during the rule of Bajirao Peshwa? ...Under Bajirao’s rule, if any mang or mahar happened to pass in front of a gymnasium, they would cut off his head and play ‘bat and ball’ with their swords as bats and his head as a ball, on the grounds. When we were punished for even passing through their doors, where was the question of getting education, getting freedom to learn?”*

*When any mang or mahar would learn somehow to read or write, and if Bajirao came to know about this, he would say: education of a mang or mahar amounts to taking away a brahman’s job. He used to say, “How dare they get educated? Do these untouchables expect the brahman to hand over their official duties to them and move around with their shaving kits, shaving the heads of widows?” With such remarks he would punish them.”*



establishing people’s education society thereby leading a movement for universal access to Education, and the unresolved commitment against the iniquitous structure of caste.

The land struggles in pre-independent era run quite contrast to the nature of judicial pronouncements in post-independent India favouring landlords by pushing directive principles of state policy beneath the framework of fundamental rights, at the same ignoring the history of struggles and continuing the unequal distribution of ownership rights. In Bengal, the landholders journal observed the nature of resistance struggles against the Landlords.

**“The atmosphere was surcharged with keen anti-landlord feelings, which manifested themselves in the rankest form in the Fiery speeches delivered by some fire-brands. The Pandal was resounded from time to time with the loud deafening shout of the slogan “down with the Zamindars down with the capitalists.’ The atmosphere was too hot for representatives of zamindars not to speak of the zamindars themselves, who would have cut a very sorry figure if they had appeared personally.” (Dhar, 1939, p. 483)**

Across the country there were widespread movements against landed gentry. Telangana Armed struggle, Tebhaga movement were a few which were discussed widely, however the nature of dispossession of land which was aided by the institution of caste, had their own accounts of resistance locally across the country, as recounted through several historical studies.

Indian Freedom movement incorporated a language against Zamindari system, in order to galvanize the support of a larger section of masses (political 1939, herring 1983). However, in Post-Independent India, the notion of property rights at the level of individual were prioritized over the notion of equi-redistributive policy in the early judgements.

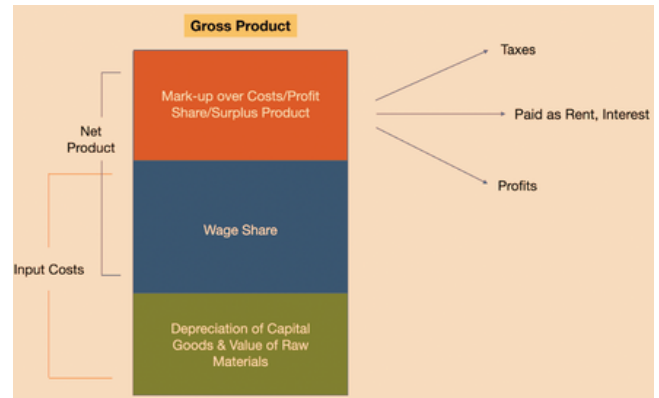
The presentation would broadly focus on anti-caste and Adivasi struggles in the reclamation of the rights in their obscuration with rights of a few privileged over the rights of a vast majority. It includes a broad history of struggles vis-à-vis their implementation in the present context.

# LABOUR RIGHTS AND WOMEN'S RIGHTS

SRISHTI YADAV

## Labour Rights

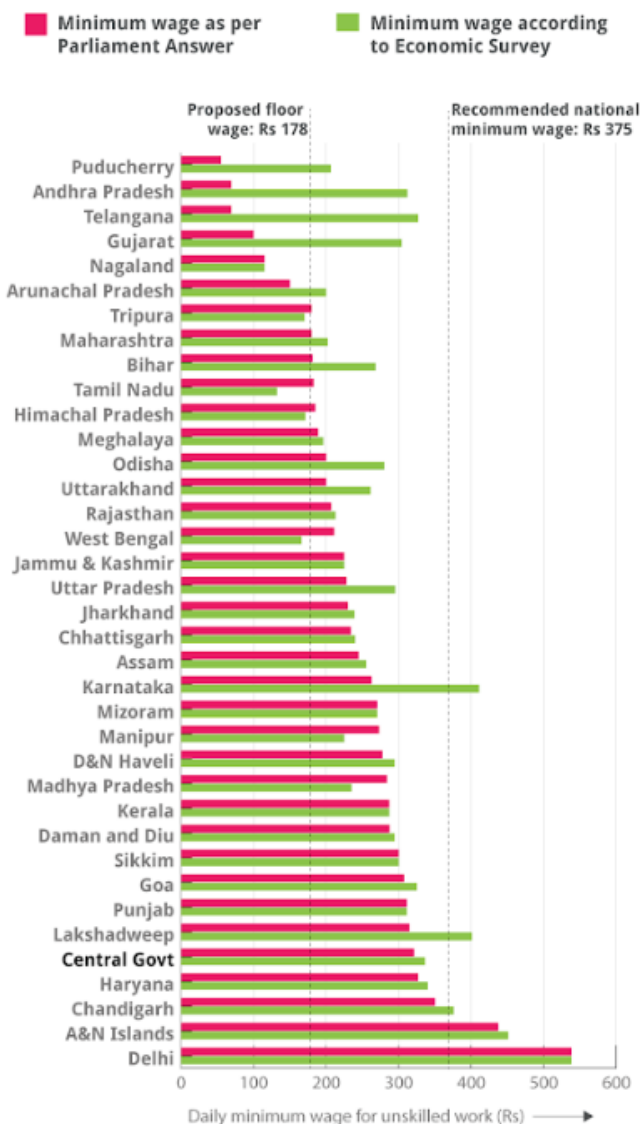
- Surplus approach: The study of economy and society through the lens of how is surplus produced, who produces it, who controls it, and how is surplus distributed across different groups (or classes)
- Class: a group of people who have the same relationship to the production and distribution process
  - Working class: people who labour and typically do not own any productive assets. Can be working for a formal sector enterprise (e.g. IT sector employees), informal sector enterprise (e.g. paid helper in a small shop, domestic workers), or self-employed (e.g. vegetable seller, auto-rickshaw driver).
  - Controlling class: people who own and invest in productive assets, and who get to decide how the assets will be used, what will be produced, and how produced surplus will be used (e.g. capitalists or firm owners, landlords, moneylenders).
- Gross product: value of total output produced through a production process. This includes the cost of raw materials, depreciation of machines, tools and implements, the money wages paid to workers, and the surplus that is retained by the controlling class.



- Net product = Gross product - cost of raw materials & depreciation of machines  
i.e. Net Product = Wages + Surplus
- Class conflict: working class and controlling class fight over the net product. How much does the working class get, and how much does the controlling class retain?
  - Controlling class wants to minimise the share received by the working class. Has legal control over the surplus.
  - Working class wants to increase their share of the net product. Does this through workers' collective action — forming unions, demanding a minimum wage, demanding wage increases, demanding social security (pensions, healthcare), demanding better working conditions, demanding shorter working days/weeks.

- Controlling class legal means (lock-out of striking workers) and differences between workers to minimise the wage share of the net product (e.g. employing caste, gender, race, regional identities to break workers' collective power; shifting production to an area with lower labour costs).

### There are differing numbers for state-level minimum wages



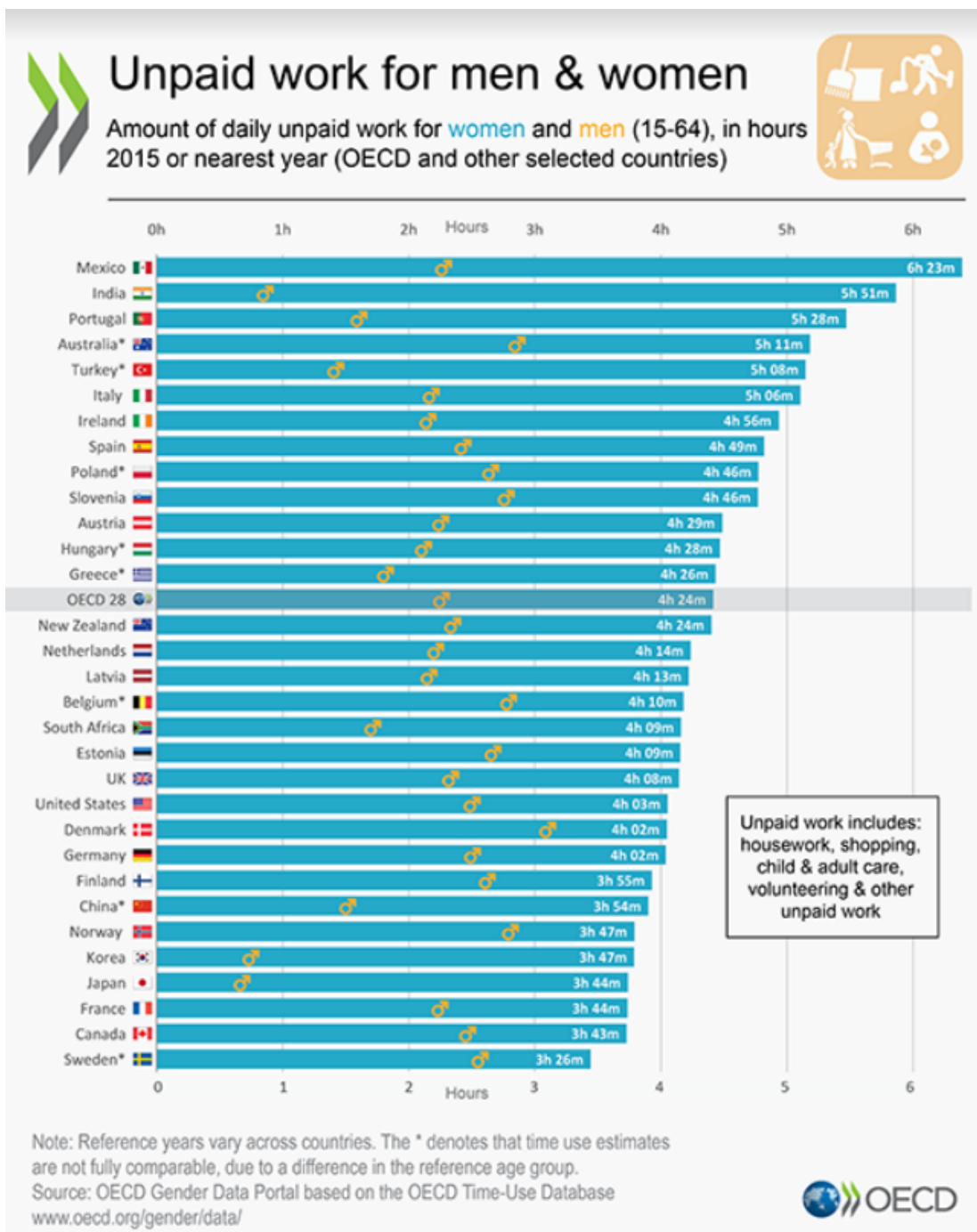
### Women's Rights

- What is the wage supposed to cover?
  - Ideally, the wage would cover the living cost of the worker and their family. The wage should reproduce the worker in their healthy, productive state from one day to the next (and one generation to the next).
  - But the production of the Net Product relies on the unpaid labour of social and biological reproduction that takes place within the household.



- Social reproduction: the labour that goes into reproducing people, most often done by women of a household. The wage may buy food items, but the act of cooking converts it into consumable dishes. The wage may allow the worker to rent a house, but the act of cleaning makes the house habitable. The wage may allow the worker to pay for children's clothes and schooling, but the act of nurturing is what makes socialisation possible. Social reproduction is all activities (cooking, cleaning, washing dishes, washing clothes, looking after children and elderly) that help produce the working class itself.

- Double burden: Even when women join the workforce and perform paid wage work, the labour of social reproduction within the household still falls disproportionately on them. This results in a 'double burden' of paid and unpaid work. This limits women's ability to participate fully in the labour market.



# IDENTIFYING THE EMPLOYED

MRINALINI JHA

## Introduction:

What makes us think a person is employed? Are people employed when they go to work everyday? Can one be employed while staying at home? Can one be employed if they work only one day in a week?

Let us begin by taking an example of an economy with 120 people. Out of these 120 people, 20 people are below the age of 15. The remaining 100 people belong to the working age group –  $\geq 15$  years. Out of these 100 people, 40 are employed, i.e., they have a job. 40 are unemployed, i.e., do not have a job but are willing to work and/or actively looking for a job, and while the remaining 20 too are unemployed, they are not willing to work and not even looking for a job. These last 20 people are called as being out of the labour force. Labour force thus comprises of all those people in the working age group who are either employed or unemployed.

Labour force participation rate (LFPR) =  
Labour Force/Working Age Population

Workforce participation rate (WPR) =  
Employed/Labour Force

Unemployment Rate (UR) =  
Unemployed/Working Age Population

Term	Definition
Working age group	More than 15 years
Employed	Having a job in the working age group
Unemployed	Not having a job, but willing to work &/or actively looking for work in the working age group
Labour force	Employed + Unemployed
Out of the labour force	Not having a job, not willing to work, & not looking for work in the working age group

**Who is Employed:**

We can think of employment in many different ways and as a result there exist multiple definitions of employment. The most broad definition can be that of paid employment and unpaid employment. Within the category of paid employment there are then multiple ways to identify the nature of employment depending on the reference period. Note, this is irrespective of the place of work.

Employed individuals are broadly categorised into three groups - Salaried workers; Daily Wage/Casual workers; Self-employed workers.

**Errors of Measurement:**

Survey information is sensitive to the manner in which the questions get framed, and the respondent who chooses to answer them. This has been documented to cause problems when measuring female employment in the economy:

- (1) Who answers the questions?
- (2) What constitutes as employment?

<b>Criterion</b>	<b>Implication</b>
Majority time	Worked for at least 6 months in the last 1 year
Monthly	Worked for at least 1 month in the last 1 year
Weekly	Worked for at least 1 hour in the last 1 week
Daily	Worked for at least 1 hour on the date of interview

## NOTES FROM ORGANIZERS: SCHOOL FOR DEMOCRACY

Aruna Roy and Satish Deshpande, with the SFD Collective

This kind of course is more important than ever because the current generation of activists was born in the post-Reagan-Thatcher era already dominated by a neoliberal worldview. They have only known a world without alternatives – with no Soviet Union and a market-facing China, where development economics is a marginalised ghetto, where “subsidy” is a dirty word but bailouts are “necessary course-corrections”.

Economics and statistics are among the most effective tools used by the powerful to mystify reality and silence the people on the margins, denying them the basic human right to live with dignity. Justifications of inequality are dressed up in economic arguments and presented as axiomatic truths, when they are no more than distorted perceptions of reality seen through an ideological lens. Economics is as dependent on interpretation as any other social science. But in the battle for supremacy in policy and planning, economics claims victory by posing as an axiomatic science.

Activists fighting for greater equality, and for the fundamental demands for livelihood, food, education and health, need to be armed with tools for exposing spurious arguments, and offering persuasive alternative descriptions of reality to the public reinforced with counter statistics and economic analyses. Activists must be able to see through fake fiscal orthodoxies and to recognise the disguised forms of economic plunder embedded within power structures.

The dominant ideologies have succeeded in establishing the belief that the market economy is like a force of nature beyond human control. Courses like this are vitally necessary today to revive a grounded understanding of the economy that enables us in our efforts to make the democracy defined by the preamble to the Indian constitution a reality.

# INFLATION

DAWA SHERPA

## **Inflation:**

Inflation refers to a continuous increase in the prices of goods and services in the economy. It indicates how expensive goods and services have become over a fixed period. The inflation rate is an increase in the general price level which reduces the purchasing power of money. Higher the inflation rate higher the cost of living for consumers/citizens in an economy. Hyper-inflation is a situation where the rate of inflation is extremely high. In such a scenario people may lose faith in money and stop using money at all.

Inflation has different impact on different sections (economic class) of the economy. High inflation can harm fixed income earners (e.g. Pensioners, Bank depositors, Government employees) and workers in general as high inflation reduces the purchasing power of the money they receive as income/salary. The workers from the organised sector with Unions can compensate for some loss due to higher subsequent wage bargaining but the majority of non-unionised workers from the informal sector suffer as they are not in a position to bargain for higher wages. The income of the propertied class which includes industrialists, traders, real estate holders, and speculators rises during the inflationary period as higher prices generate higher profit for them. So, inflation increases income inequality between the propertied class and working class. However, high inflation leads

to a reduced burden of payment for borrowers/debtors as they repay the money with less purchasing power while lenders/creditors will face loss as they receive money with less purchasing power. High inflation also causes domestic goods to be expensive to foreigners thereby reducing export demand.

While high inflation is not desirable, but consistent decline in price level is also not good for the economy. When prices of goods and services continuously decline, it's called Deflation.

Inflation can occur due to following reasons:

## **Demand-Pull Inflation:**

Inflation caused by an increase in aggregate demand (higher total expenditure) is called demand-pull inflation. So, demand-pull inflation occurs when demand increases due to an increase in total expenditure without a consequent increase in production. Such an increase in economy-wide demand can occur due to higher public spending financed either by borrowing from the public using bonds or printing money to finance such large expenditure (usually above the total revenue of the Government).

## **Cost-Push Inflation:**

Inflation can also be caused by an increase in costs of production, referred to as cost-push, or supply-side, inflation. e.g. increase in the price of petrol and diesel in India for the past few years is

causing an increase in the price of most goods and services as petrol and diesel are universally utilised as input in the various production processes. So, when prices of such crucial inputs of production go up, companies increase prices to keep its profit margin intact. If there is erratic weather and drought then there occurs a decline in production of agricultural goods. This causes prices of agricultural goods to go up contributing to overall inflation. Hoarding of essential commodities, increase in taxation, rise in wage rate, rise in raw materials cost also cause a rise in cost-push inflation.

#### **Expectation:**

Even if factors affecting cost-push and demand-pull inflation are absent, a mere rise in the expectation of high inflation can lead to higher actual inflation. So, the mere anticipation of high inflation by workers can lead to a demand for higher wage which intern lead to high inflation in the next period.

According to the Monetarism school of economics, inflation is caused by excess printing of money by the central bank. So, to control inflation, government (Central bank) should reduce the money supply. However, this idea is only valid if companies are utilising their factory/plant/machinery to its maximum potential (or operating at full capacity) and all workers who are willing to work in the given wage rate are already employed (or the economy is in full employment).

Post-Keynesian and Marxist school argue that inflation is the outcome of class conflict between the capitalist and working class over given output. When claims of both workers and capitalists are higher than the size of total output, inflation occurs in the economy.

So, inflation is not purely a technical issue but rather the outcome of political conflicts between two contending economic classes under capitalism.

The central bank of a country (RBI in India) is assigned to control inflation and promote rapid economic growth in the economy. Many government and central banks commit themselves exclusively to low and stable inflation in the form of **Inflation Targeting**. The central bank usually increases interest rates thereby discouraging total expenditure by consumers and corporations in the economy. A higher interest rate discourages consumer spending and corporate investment (buying new machines, plants, buildings etc). Such reduction in total expenditure or total demand reduces overall prices in the economy and thereby reduces the rate of inflation. Such policy by the central bank can result in a reduction in overall production and economic activities thereby causing the problem of unemployment. If inflation is caused by cost-push factors (e.g. rise in petrol and diesel prices, monsoon failure etc) then the central bank cannot reduce inflation through a reduction of overall expenditure and demand.

# ORDINARY PERSON GUIDE TO MACROECONOMIC POLICY: MACROECONOMIC PARADOXES AND ITS POLICY RELEVANCE

DAWA SHERPA

Macroeconomics is a very interesting and policy-oriented sub-discipline of economics. Macroeconomic policy (tax, expenditure, subsidy, transfer, etc.) impacts the lives and livelihoods of every ordinary person. So the fundamental task of this session will be to correct widely prevalent common misunderstandings (among 'experts', financial journalists, etc.) and to give a basic theoretical framework to analyse and comprehend the underlying mechanism that operates at the macroeconomic level of the economy. We will cover three basic macroeconomic paradoxes (Paradox of Thrift- Keynes, Paradox of Cost-Kelecki, Paradox of Tranquility- Minsky) to highlight the beauty and power of macroeconomic reasoning and its relevance to ordinary people's lives and livelihoods.

In second part, we will cover basic idea of Fiscal policy. Fiscal policy refers to the government policy which utilizes taxes and expenditures as a means to achieve a desired goal of higher economic growth and more equitable distribution of income in the economy. Usually, the Ministry of Finance designs such policies every year. According to Keynesian theory, higher government expenditure (in form of new roads, new power projects, higher defence spending, MNREGA etc) leads to higher aggregate demand which in turn leads to higher output and higher employment. The reason is quite simple.

Higher government spending causes higher income for workers and subsequently higher sales and profit for corporates. Since workers are consumers and higher income going to workers translates into higher income for consumers, this leads to more sales and profit for corporates in the market. So higher sales and profit will consequently encourage corporates to hire more workers and produce more output in the economy. A similar result can also be obtained if the government reduces taxes or increases transfer income (unemployment allowance, cash transfer to farmers and poor, etc) to the consumers. So, an increase in government spending causes higher income, higher employment and higher output in the economy. A reverse result will occur if the government cuts its expenditure/spending on the economy. Fiscal policy which increases (decreases) expenditure and aggregate demand is called expansionary (contractionary) fiscal policy. Contractionary fiscal policy is also known as Fiscal Consolidation or policy of Austerity in popular jargon.

If the economy is already operating at its maximum potential (or technically in full employment), then such an increase in government expenditure cannot increase employment and output. Since production cannot be increased any further, any increase in government spending will only increase demand leading to higher prices of goods and services.

So, any increase in government spending when the economy is already producing at its maximum potential does not increase output or employment but only causes inflation in the economy. Global financial investors usually use this argument to oppose increased government spending as inflation erodes return on different types of financial assets (Stock, Bond, Deposits, derivatives etc).

Fiscal policy is also used to promote economic equality through the redistribution of income across different economic classes using taxes and transfers. Usually, a government imposes a higher tax rate on the rich and provides a transfer to the poor and economically vulnerable groups. As income and wealth go up, the direct tax rates also go up. And income below a certain threshold is exempted from paying any direct taxes. But indirect taxes (e.g. GST, taxes on Petrol and diesel etc) are paid by all and relatively the burden falls more on the lower economic class. The government also provides subsidies to the poor and other economically vulnerable groups like farmers, low-income households etc. Such taxation, subsidy and transfer are designed to reduce income inequality and promote economic equality.

Since expansionary fiscal policy creates more output and employment, it increases the bargaining power of the working-class vis a vis the capitalist class. Such an increase in bargaining power resulting from low unemployment can lead to higher wage demand by workers, thereby increasing the cost for the corporates. And more job opportunities and low unemployment in the economy may lead to more workplace indiscipline and less control by a capitalist over workers in the workplace.

Also, if the government starts controlling the economy via expansionary fiscal policy, it may even replace the capitalist class from the production process and make the capitalist class increasingly redundant. Hence due to these reasons capitalist class strongly opposes any expansionary fiscal policy which benefits the working class.

Union Budget encapsulates these contradictions of the fiscal policy of the Indian government. While expansionary fiscal policy (increased government spending especially in social sectors like health, education, employment generation schemes like MNREGA etc) may be beneficial to the overall economy as it generates more employment and economic activities, such fiscal policy is vehemently opposed by the Capitalist class increasingly so in the contemporary Neoliberal period (1990-2021). Recent trends in the cut in government spending in social sectors, reduction in tax for corporates, increase in indirect taxes like GST and excise duty on petrol etc are reflections of the growing political influence of the capitalist class in our Union Budget.

# NREGA AND LABOUR MARKETS

ANAND SHRIVASTAVA

**What do you think was the main purpose behind launching the NREGA scheme?**

When it was launched, NREGA was primarily meant to be a program that provided employment as insurance against seasonal variation and other shocks to employment. It did have those effects (as seen during the Covid lockdowns) but it also had other unforeseen effects on the rural labour market, despite providing a very small share of overall rural employment.

**Many studies have consistently found that NREGA led to an increase in rural wages. Why do you think this would have happened?**

NREGA leading to an increase in rural wage allows us to understand the rural labour markets better. For that we need to understand a few terms:

**Competitive markets:** Competitive markets are where neither buyers nor sellers can set the price according to their preferences. For example, if I go to the market to buy potatoes and the price in the market is 30 Rs/kg, that is the price I will have to pay. If I ask a seller

to give it to me at 25, she will not - she will wait for another customer. Similarly if the seller asks for 35, I will not pay that and go to another seller. This is because there are enough buyers and sellers that can easily interact with each other.

**Some economists think of the labour market, where the employer is buying labour and the worker is selling it, as a perfectly competitive market. Do you think this is correct? Why or why not?**

**Productivity:** The productivity of a worker is the amount of value that the worker adds to the production process. Think of a workshop where cartons are being assembled. If a worker can assemble 20 cartons in an hour, and the value of each carton is 10 rupees (after subtracting raw material and other costs) then the productivity of the worker is 200 rupees per hour.

If the labour market is competitive then the worker will be paid his or her productivity, because if they are paid less then some other employer will find it beneficial to employ them and pay them higher. So, if this worker is paid 100 rupees, some other employer can think that if they pay 150 then they can still make a profit of 50, and hence the wage will keep increasing till it is close to the productivity.

The NREGA example tells us that rural labour markets are not competitive as wages increased without any change in productivity. This is important because if labour markets are competitive and wages are equal to productivity, then wages cannot increase, unless some people lose employment. Since this is not the case wages can actually be increased.

What do you think will be the effect, if any, of an increase in rural wages on the following:

1. Inflation: Increase / Decrease / No effect
2. Migration: Increase / Decrease / No effect
3. Farmer incomes: Increase / Decrease / No effect

Some economists thought that this wage increase from NREGA will cause inflation as this would increase the price of food. But this did not happen. Food prices did go up for some commodities but this was because of international prices.

So, if wages increased but food prices did not increase then farmer incomes would go down. There is also evidence that NREGA led to a reduction in short-term migration.

Now some state governments are thinking of **urban employment** programmes along the lines of NREGA (some governments like TN and Rajasthan have already launched such programmes).

Here are the main considerations in the design of the programme:

- What should be the nature of work?
- What should be the wages?
- Who should be able to work? (for example, should migrant workers be allowed)

In general, the more generous the program is the higher the demand for it will be. And as a consequence the market wage will be higher. To some level this may not affect market employment but at some point small businesses will not be able to afford the wages (they will increase above productivity) and hence employment will start to go down.

# ECONOMIC POLICIES AND CONSTITUTIONAL VALUES

SHANKAR SINGH

According to the Preamble of our country, every person is entitled to a life of dignity. Article 41 of the Directive Principles of State Policy speaks about the right to livelihood, education and public assistance in special circumstances. As per this Article, the State (government) should make effective provisions for people's right to livelihood, right to education and public assistance during unemployment, old age, disablement and other such special circumstances.

According to the National Accounts Statistics, over 92% of workers are employed in the unorganized sector. Unorganized sector means that you don't have a regular employment, you

get paid only when you work. In the organized sector, there is an age for retirement after which workers are given pensions. But a large section which is employed in the unorganized sector, doesn't have any retirement age and they also find it difficult to work after a certain age. Therefore, this section depends on the social security pensions provided by the government. This includes in addition to elderly people, those with disability and single women (widowed/abandoned) as well.

This section also finds it challenging to raise its voice. Between 2006 and 2011, under the National Social Assistance Programme, the Union government initiated/modified following schemes for Below Poverty Line (BPL) beneficiaries only:-

Scheme	Indira Gandhi National Old Age Pension Scheme	Indira Gandhi National Widow Pension Scheme	Indira Gandhi National Disability Pension Scheme
Eligibility	Male or female members of BPL households of age 60 years and above	Widowed women belonging to BPL households with age equal to or above 40 years	Members of BPL households of age equal to or above 18 years with disability of 80% or more
Monthly Financial Assistance Provided	Rs 200 for individuals of age between 60 and 80 years	Rs 300 for individuals of age between 40 and 60 years	Rs 300 for individuals of age 18 years or more but less than 60 years
	Rs 500 for individuals of age equal to or more than 80 years	For individuals of age equal to or more than 60 years - Amount as provided by the scheme	For individuals of age equal to or more than 60 years - Amount as provided by the scheme

In response to the following question raised in the Lok Sabha in February 2023, the concerned minister provided the following response (Unstarred Question No. 892 – this information can be accessed from Lok Sabha website (<https://sansad.in/>) in Hindi and English):

1. The elderly members of families living below the poverty line (BPL) with age between 60 to 79 years, are being provided a monthly pension amount of Rs 200 under the Indira Gandhi National Old Age Pension Scheme (IGNOPS) under the National Social Assistance Programme (NSAP). For the beneficiaries with age of 80 years and above, this pension amount is increased to Rs 500. In 2007, the rate of assistance under the Old Age Pension Scheme was increased by Rs 75 to Rs 200 per month. Additionally, in the year 2011, the amount was revised to Rs 500 for individuals of age 80 years and above.

2. While considering the continuation of the NSAP for the 15th Finance Commission cycle (2021-26), the revision in the eligibility criteria and rate of assistance under the scheme was considered by the Government. However, the Government has approved continuation of NSAP scheme in its present form. Therefore, no proposal with regard to increase in the pension amount is under consideration at present. The States/UTs are, however, encouraged to provide top-ups over and above the central assistance under the NSAP. Presently, these amounts range from Rs. 50 to Rs. 3000 per month per beneficiary under IGNOAPS

**Year-wise Amount Released under the Indira Gandhi Old Age Pension Scheme (in Crores)**

2014-1	2015-1	2016-1	2017-1	2018-1	2019-2	2020-2	2021-2
5	6	7	8	9	0	1	2
4180.98	5562.69	5900.92	6110.43	5775.83	6193.38	6152.61	5806.39

**Discussion:** Was the allocation higher during year 2016-17 or was it higher in year 2021-22?

**Exercise:** Can you go to the Lok Sabha website and locate the answer to this question to find out the year-wise amount received by your state under the scheme?

The objective of Pension Parishad is to raise these kind of issues. Pension Parishad had organized an agitation in Delhi in the year 2013, demanding universalization of pensions and increase in the pension amounts. People from all over the country had participated in this agitation. Although the Union government was unmoved by this agitation but the Rajasthan government seriously considered these demands, and universalized the pension scheme. Along with this, it lowered the age for Old Age Pension, made provisions for pension for those with disability of more than 40% and also included widows/single women of age 20 years and above within the purview of the scheme. As a result of this, while the Union government is

providing the above pension amount to only 12 lakh beneficiaries, the total number of pension beneficiaries in Rajasthan has reached 94 lakhs. They used to receive a monthly pension ranging from Rs 500 to 1500. In the year 2023-24, this amount has been increased to a minimum of Rs 1000 and it has been announced that an Act would be passed which would mandate a hike of 15% in the pension amounts every year. If this Act is passed, it would mark a big victory for people's movements because it has been a long-standing of the movement that the pension amount should at least be half of the minimum wage and it should be linked with inflation.

At one end, we have this unorganized sector, and on the other we have government officials/employees who not only enjoy high pay scales but a fulsome pension as well. The dearness allowance for the government employees is increased twice every year. They are paid for several days of leave as well which is denied to those working in the unorganized sector. If we take the example of Rajasthan government's budget, almost all the tax revenue collected by the state is exhausted by the pension and salaries paid to the government employees and the interest payments on loans taken for such expenditures.

**Work for all hands, and fair wage for all work.**  
**Rest during old age, along with pension and respect**

<b>Pension-Salaries of Government Officials/Employees</b>				
<b>Employee</b>	<b>Salary</b>			
	<b>Entry Level</b>	<b>After 10 years' service</b>	<b>After 30 years' service</b>	<b>Pension</b>
Class IV	27,600	36,500	76,300	36,900
Patwari	32,450	42,300	98,400	47,600
Clerk	32,450	47,580	1,03,400	50,500
Gram Sevak	33,540	43,500	90,200	45,000
Teacher 3rd Grade	52,700	74,700	1,40,400	62,100
Teacher 2nd Grade	59,000	82,500	1,62,900	78,700
School Lecturer	69,100	90,500	1,77,500	85,800
College Lecturer	90,000	1,32,100	3,40,400	1,50,600
Assistant Engineer	87,500	1,14,700	2,30,000	2,21,600
RAS	87,500	1,28,400	2,88,200	1,40,000
IAS	87,500	1,34,300	3,51,000	1,55,250

Tax Revenue Accounts for Rajasthan Government					
Source	Year 2020-21			Year 2022-23	
	Income	Destination	Expenditure	Incoming	Outgoing
From GST	20,754.87	Salary	51,070.13	39500	66385
Registration /Stamp	5,297.27	Pension	22,439.62	8100	24439
Excise	9,853.00	Interest paid on loans	25,201.81	15000	28838
On Sales (VAT)	17,479.04			25000	
On Vehicles	4,368.17			7000	
Other Taxes	2,531.09			3693.67	
Total	60,283.44		98,711.56	98293.67	119662
Income-Expenditure (in crores)					
Deficit to be borne by the public			38,428.12		21,368.33

A big share among the unorganized sector workers is that of construction workers. All workers involved in the construction of buildings or in the construction of roads, canals, ponds etc. are considered as construction workers. A large section among these is of migrant workers who leave their district/state in search of work.

A Welfare Board has been set-up in each state under the Building and Other Construction Workers Act, 1996 which is a central act. This Board levies cess on construction work and uses this for implementing welfare schemes for these workers.

But the problem is that very few genuine construction workers are aware about these schemes. One reason behind the low number of registrations is that a large number of these workers are migrant workers. Some social audits have also found that agents/middlemen get many workers who have never done construction work also registered under the Board. These agents extract money from registered workers as well in the name of getting them access to welfare schemes of the Board. In terms of budget, this has become a larger scheme than even MNREGA.

**Are you aware of the schemes being operated by the Building and other Construction Workers' Welfare Board of your state?**

**Are you able to see the list of construction workers registered in your state?**

## NOTES FROM ORGANISERS: AZIM PREMJI UNIVERSITY

Arjun Jayadev (Director, School of Arts And Sciences)

Although the functioning of the economy is of widespread interest to most individuals in society, economics as a subject can often be difficult, unwelcoming and abstruse. The contrast between the urgent, real immediate concerns of economic life that affects everyone deeply and the dry, formal subject that is the staple of textbooks could not be sharper. Worse, economics as it is often taught, serves to act as a fetter on political imagination and action. Policy changes and orientations that appear to potentially make people's lives better are often argued to be a woolly-headed, unscientific or contravening the laws of economics.

But things are changing. Decades of neoliberalism have led to highly uneven outcomes for people and a general sense of drifting away from the world we want to see, as well as a disenchantment with the status quo. More people are willing to question the basic 'consensus' around the management of the economy. At the same time, modern economic research has meant that the subject itself is moving away from the standard nostrums of the past.

Activists and communities seeking to secure a better and more just life now have a bigger opening to push for these objectives now than in the past. But they still lack an understanding of the functioning of the economy.

This workshop accordingly is designed to address knowledge gaps, counter economic myths, introduce genuine debates and to empower activists to push for genuine change with the arsenal of strong economic understanding undergirding their efforts.

By the end we hope that participants are able to use what they learn to push for and implement progressive policy reforms in the short-term, and to generate meaningful new visions for the longer term around which movements can grow and prosper.

# IS THERE ANYTHING CALLED GOOD ECONOMICS?

AMIT BASOLE

To ensure the economic wellbeing of each and every citizen is one of the foundational principles of any nation that believes in the ideal of justice. An establishment or model of governance that does not successfully adhere to this ideal does not serve to be supported. The goal of economic independence cannot be attained only by ensuring access to employability and is not limited to only providing sources of livelihoods. In fact it includes several important aspects. An example of this is the assurance of dignified work that fulfils a person's creative-inner needs, that even when it cannot ensure the balance of nature does not at least attempt to damage it and must ensure payment that is enough to make certain that the individual may enjoy peaceful and worry free time with family and friends. At the societal level, economic wellbeing can be seen in the form of economic justice. This means that economic rights take a practical form and end of discriminations based on gender caste or religion. The purpose of economic policy is to make possible a system where these principles are adhered to and the system is built on these premises. And to imagine and conceptualise such laws, formulate them are all characteristics of an economy that values humanity and the ecology and premises itself on their protection and wellbeing. This is the candid meaning of economics.

The question which arises here is that how should we then formulate such laws? And the more complex question that comes about is that even if such laws are formulated, how are we to ensure that they are implemented well? The first question is within the imaginary and intellectual framework of economics and economists and the second one is more political in nature where the economists do have a role to play but this is clearly not a domain in which they specialise.

It must be noted that when we say that the first question lies in the domain of economics we do not mean that no other branch of knowledge has a role to play in it. Contrary to that, the society, the social movements, social workers and activists play a central and vital role in it. And without listening to their goals, principles and ideas, economists must not proceed. The relationship between the society and the economist is not similar to that of an engineer with his machine and neither is it like the relationship between a doctor and his patient. Real economics is that which does not conceive of itself as either above or beyond the society but rather thinks of itself as a part of the society and uses its special knowledge and expertise to serve the interests of the society.

*Amit Basole is Professor of Economics and Head, Centre for Sustainable Employment at Azim Premji University. He is the lead author of the State of Working India report.*

