

INDIAN ECONOMY

Nature of Indian Economy | GDP & National Income
Economic Systems | General Economic Concepts
Investment & Employment | Circular Economy & IT
TNPSC Group I / Group II / Group IV & VAO

Based on 34 Previous Year Questions

AT A GLANCE — PYQ DISTRIBUTION BY SUB-TOPIC

This analysis is based on 34 PYQs across 8 sub-topics of Indian Economy. The table below shows the question distribution and priority weightage.

#	Sub-Topic	Q Count	% Share	Qs	Priority Level
1	Nature of Indian Economy	9	26.5%	Q1-Q9	★★★★ HIGH
2	Economic Systems (Mixed/Capitalist/Socialist)	7	20.6%	Q10-Q16	★★★★ HIGH
3	GDP & National Income	8	23.5%	Q17-Q24	★★★★ HIGH
4	Savings, Investment & Capital Output	2	5.9%	Q25,Q27	★★★ MEDIUM
5	Black Money & Parallel Economy	1	2.9%	Q26	★ LOW
6	Macro Laws & Indicators (Okun, Inflation, Circular Economy)	4	11.8%	Q28-Q31	★★★ MEDIUM-HIGH
7	Information Technology Sector	1	2.9%	Q32	★ LOW
8	Foreign Investment & Employment	2	5.9%	Q33,Q34	★★★ MEDIUM

1. THE "DECODED" SYLLABUS

The official TNPSC syllabus simply lists "Indian Economy — Nature, Features, GDP, Planning." But the PYQs reveal an enormous range of specific factual, conceptual, and application-based content hidden behind these broad labels.

What the Syllabus SAYS vs. What is ACTUALLY Asked

Official Syllabus Implies	What is ACTUALLY Tested (PYQ Evidence)
Nature of Indian Economy	Low per capita income, working population in agriculture, dualism concept, mainstay of economy, sectoral contribution, \$5 trillion economy target year, Covid-impacted sectors, G20 membership, digital economy quote attribution (Q1-Q9)
Economic Systems	Mixed Economy definition, coexistence of public-private sectors, Karl Marx and Socialism, Adam Smith and Capitalism, Great Depression link to capitalism, Father/Author matching (Marshall, Marx, Smith, Robbins), Socialist vs. Capitalist planning (Q10-Q16)

Official Syllabus Implies	What is ACTUALLY Tested (PYQ Evidence)
GDP & National Income	GDP definition (time-specific, monetary, includes services), CSO as calculating body, Per Capita Income formula, India's rank in nominal GDP, PPP ranking, agriculture share in GDP, variable-measure matching (Gini, GSDP, GDP growth), internet users data (Q17-Q24)
Savings & Black Money	Gross Domestic Saving and Investment rates for 2019-20, black money definition and facts, capital-output ratio, tax havens (Q25-Q27)
Macro Concepts	Okun's Law (GDP-unemployment), inflation-purchasing power assertion-reason, circular economy concept, self-reliance definition, Phillips Curve vs Lorenz Curve vs Gini (Q28-Q31)

The "Hidden Syllabus"

- **Quote attribution:** Who said 'India will be a global player in the digital economy' — Sundar Pichai (Q5). Not in any standard economics textbook.
- **Covid-19 impact on specific sectors** — MSME, Aviation, Tourism, NOT Telecom (Q2). Current affairs tested under economy.
- **Y20 Indonesia Summit and Circular Economy (Q30)** — international summits under economy.
- **Eleventh Five Year Plan unemployment backlog** — specific data point: 28 million (Q34).
- Matching economists to labels (Father of Capitalism, Father of Socialism, Author of Welfare, Author of Scarcity) — Q12.

2. NATURE OF QUESTIONS — TYPE-WISE BREAKDOWN

Understanding the question type is as important as knowing the content. This section maps each PYQ to a cognitive skill.

Question Type	Approx %	Count	Skill Required
Statement-based (True/False, Correct Combination)	38%	13	Identify correct/incorrect statements from given options. Needs precise factual recall and elimination.
Direct Factual Recall	29%	10	Know specific facts: formulas, definitions, organisations, ranks, years.
Match the Following	9%	3	Match variables to measures, investment types, economists to labels.
Assertion-Reason	3%	1	Evaluate both assertion and reason independently, then check causal link.
Conceptual Understanding	15%	5	Understand economic concepts like dualism, mixed economy, self-reliance, circular economy.
Negative Question (Choose Incorrect)	6%	2	Identify the WRONG statement — easy to misread. Needs careful attention.

► KEY TAKEAWAY FOR STUDENTS

- Statement-based questions dominate (38%) — you MUST practice elimination technique. Read each sub-statement independently.
- Direct recall is the second-highest type (29%) — know your formulas, organisations, and data points cold.
- Match-the-following questions test precise pairing — make tables and revise them visually.
- Negative questions ('Choose INCORRECT') appear — always underline the word 'incorrect' in the exam paper to avoid careless mistakes.

3. HIGH-PRIORITY FOCUS AREAS (MUST MASTER)

These are the 'Super-Hit' clusters that appear repeatedly across years. Master these before anything else.

┃ SUPER-HIT #1: Nature & Features of Indian Economy (9 Questions)

This cluster alone covers 26.5% of all PYQs. Questions test the fundamental characteristics, strengths, sectoral contribution, and contemporary vision of the Indian economy.

Feature / Fact	Key Detail to Memorize
Mainstay of Indian Economy	Agriculture (Q6)
Highest GDP contributor (sector)	Tertiary Sector (Services) — NOT Agriculture (Q7)
\$5 Trillion Economy target year	2024-25 (original target) (Q8)
Dualism	Coexistence of two different features in an economy (Q9)
Covid-impacted sectors	MSME, Aviation, Tourism & Hospitality — NOT Telecom (Q2)
'Digital economy' quote	Sundar Pichai (Q5)
Strengths of Indian Economy	Mixed economy, fast growing economy, fast growing service sector — NOT 'Industries play key role' (Q4)
Indian Economy is NOT	NOT a capitalist economy (Q3); NOT adequate employment generation

▲ TRAP ALERT: Mainstay vs. Highest GDP Contributor

- Q6 asks mainstay = Agriculture (occupation-based). Q7 asks highest GDP contribution = Tertiary/Service sector (income-based). Students confuse these two. MAINSTAY ≠ HIGHEST GDP CONTRIBUTOR.
- Agriculture is the mainstay because majority of population DEPENDS on it, but Services contribute MOST to GDP.
- Q4: 'Industries plays the key role' is the INCORRECT statement about strengths. The correct strength is 'Fast growing service sector.'

┃ SUPER-HIT #2: Economic Systems — Mixed, Capitalist & Socialist (7 Questions)

20.6% of all PYQs. TNPSC loves testing definitions, characteristics, and historical context of economic systems.

Concept	Must-Know Detail
Mixed Economy	Co-existence of Public and Private sectors (Q10). India follows mixed economy (Q13).
Socialist Economy	Central Planning Commission decides production, distribution (Q14). Based on Karl Marx (Q15).
Capitalist System	Failed during the Great Depression (Q16).
Father of Capitalism	Adam Smith (NOT Alfred Marshall) (Q12)

Concept	Must-Know Detail
Father of Socialism	Karl Marx (Q12)
Author of Scarcity Definition	Lionel Robbins (Q12)
Author of Welfare Definition	Alfred Marshall (NOT Adam Smith) (Q12)

▲ TRAP ALERT: Father of Capitalism vs. Author of Welfare

- Q12: Students assume Adam Smith = Author of Welfare. WRONG. Adam Smith = Father of Capitalism. Alfred Marshall = Author/Father of Welfare Economics.
- The question deliberately swaps them: Option (A) says Father of Capitalism = Alfred Marshall and Author of Welfare = Adam Smith — BOTH WRONG.
- Correct answer: (D) — Father of Socialism = Karl Marx and Author of Scarcity = Lionel Robbins.

| SUPER-HIT #3: GDP & National Income Concepts (8 Questions)

23.5% of PYQs. This is the most data-heavy cluster — formulas, rankings, organisations, and specific percentage figures.

Fact / Concept	Detail
GDP Definition	Time-specific, monetary measure, includes BOTH goods AND services (Q17 — all three given statements are WRONG)
GDP calculating body	Central Statistical Organisation (CSO) (Q18, Q21)
Per Capita Income formula	National Income / Population (Q23)
India PPP rank (world)	Third (Q19)
India nominal GDP rank (2016-17)	Seventh (Q20) — note: varies by year
Agriculture share in GDP (2010-11)	14.4% at 2004-05 prices (Q24)
Highest internet users (2017)	China (Q19)
Matching: Rapid GDP growth	Average annual rates of growth of GDP (Q22)
Matching: Income inequality	Gini coefficient (Q22)
Matching: Regional imbalance	Gross State Domestic Product per capita (Q22)
Matching: High output level	GDP (Q22)

▲ TRAP ALERT: GDP Definition Traps

- Q17: ALL THREE given statements about GDP are WRONG. GDP IS for a specific period, DOES include services, and IS a monetary measure. Answer: (C).
- Q18 & Q21: CSO (Central Statistical Organisation) calculates GDP — NOT RBI, NOT Planning Commission, NOT NSS.
- Q19: India is 3rd in PPP but NOT 8th in nominal GDP (varies by year). Uganda is NOT in G-20. China has highest internet users (2017). Be careful with combination questions.

| SUPER-HIT #4: Macro Economic Laws & Indicators (4 Questions)

11.8% of PYQs. These questions test conceptual clarity about economic laws and their applications.

Law / Concept	Definition & PYQ Reference
Okun's Law	Relationship between GDP and unemployment (Q28)
Phillips Curve	Relationship between inflation and unemployment (distractor in Q28)
Gini Coefficient	Measures income inequality (distractor in Q28)
Lorenz Curve	Graphical representation of income distribution (distractor in Q28)
Circular Economy	Use and reuse resources efficiently (Q30)
Self Reliance	Self sufficient (Q31)
Inflation & Purchasing Power	Both assertion (rising prices) and reason (affects purchasing power of poor) are TRUE, but R is NOT the explanation of A — it is the EFFECT (Q29 — Answer D)

▲ TRAP ALERT: Okun vs. Phillips vs. Gini vs. Lorenz

- All four appear as options in Q28. Students commonly confuse Okun's Law with Phillips Curve.
- Okun = GDP vs Unemployment. Phillips = Inflation vs Unemployment. Lorenz = Income distribution (graph). Gini = Income inequality (number).
- Memory trick: O-U (Okun-Unemployment-GDP), P-I-U (Phillips-Inflation-Unemployment), G-I (Gini-Inequality), L-D (Lorenz-Distribution).

4. LOW-YIELD / "READ ONCE" AREAS

These topics have appeared only once or twice. Read them once for awareness but do not deep-dive.

Topic	Freq.	Advice
Black Money (Q26)	1	Know basic definition: assets not reported to government. Black money estimate for 1983-84 is NOT 95% of GDP. Tax havens are small countries with low taxes.
IT Sector Issues (Q32)	1	All four — infrastructure, e-governance, education, mass campaign — are issues in IT. Answer: (D).
FDI Types Matching (Q33)	1	FDI = investment in product assets. FPI = stocks/bonds. Commercial loans = foreign institutions. Memorize the 4 types.
Unemployment Backlog (Q34)	1	11th Plan (2007-12): 28 million unemployed persons backlog. One-time data point.
Savings & Investment Rates (Q25)	1	2019-20: Gross Domestic Saving 30.9%, Investment 32.2%. Rarely repeated.
Capital-Output Ratio (Q27)	1	Amount of capital needed to produce one unit of output. Simple definition.

Common Traps & Confusions

TRAP / Common Confusion	CORRECT ANSWER
Agriculture contributes most to GDP	WRONG. Tertiary/Service sector contributes most to GDP. Agriculture is the mainstay (most employed). (Q6 vs Q7)
Adam Smith = Author of Welfare	WRONG. Adam Smith = Father of Capitalism. Alfred Marshall = Father of Welfare. (Q12)

TRAP / Common Confusion	CORRECT ANSWER
RBI calculates GDP	WRONG. CSO (Central Statistical Organisation) calculates GDP. (Q18, Q21)
GDP does not include services	WRONG. GDP includes BOTH goods AND services. (Q17)
Mixed Economy = Small + Large industries	WRONG. Mixed Economy = Public + Private sector coexistence. (Q10)
Phillips Curve = GDP vs Unemployment	WRONG. Phillips = Inflation vs Unemployment. Okun's Law = GDP vs Unemployment. (Q28)
Telecom was hit by Covid	WRONG. MSME, Aviation, Tourism were hit. Telecom actually grew during Covid. (Q2)
Indian Economy is capitalist	WRONG. India has a Mixed Economy, not capitalist. (Q3, Q4, Q11, Q13)

PREVIOUS YEAR QUESTION

NATURE OF INDIAN ECONOMY

1. Indian economy is marked by the existence of

- (i) Low per capita income
- (ii) High proportion of the working population is engaged in industries
- (iii) Improving rate of capital formation
- (iv) Problems in the employment
- (A) (i) and (ii) are correct
- (B) (i) and (iii) are correct
- (C) (ii) and (iii) are correct
- (D) (ii) and (iv) are correct
- (E) Answer not known

2. Identify the sector(s) of Indian Economy which are the most affected by Covid Pandemic.

- (a) MSME sector
- (b) Aviation sector
- (c) Tourism and Hospitality sector
- (d) Telecommunication sector
- (A) (a) and (d) only
- (B) (a), (b) and (c)
- (C) (d) only
- (D) (a), (c) only
- (E) Answer not known

3. Which of the following statements are true about Indian Economy?

- i. Indian economy is a typical example of Capitalist Economy.
- ii. Agriculture being the maximum pursued occupation in India.
- iii. Indian economy has a place among the G20 countries.
- iv. Adequate employment generation.
- (A) (i) and (ii) only
- (B) (ii) and (iii) only
- (C) (iii) and (iv) only

(D) (i) and (iv) only

(E) Answer not known

4. Choose the incorrect statement about the strengths of Indian Economy.

- (A) India has a mixed economy
- (B) Industries plays the key role
- (C) India has a fast growing economy
- (D) Fast growing service sector
- (E) Answer not known

5. 'India will be a global player in the digital economy' who said this?

- (A) Amarthiyasen
- (B) Manmohan Singh
- (C) Sunder Pitchai
- (D) Jawaharlal Nehru
- (E) Answer not known

6. What is the mainstay of Indian Economy?

- (A) Business
- (B) Agriculture
- (C) Public Sector Industries
- (D) Manufacturing Sector
- (E) Answer not known

7. _____ Sector contributes the most Income to Indian Economy.

- (A) Primary sector (Agriculture)
- (B) Secondary sector (Industry)
- (C) Tertiary sector (Service)
- (D) None of these
- (E) Answer not known

8. The vision of \$5 trillion dollar economy of India has fixed the target in the year of

- (A) 2021-22
- (B) 2024-25
- (C) 2026-27
- (D) 2030-31
- (E) Answer not known

9. What is the term used to denote the coexistence of two different features in an economy?
(A) Technology
(B) Dependency
(C) Dualism
(D) Inequality
(E) Answer not known
10. Mixed Economy implies
(A) Co-existence of Small and Large industries
(B) Co-existence of Public and Private sectors
(C) Co-existence of Labour intensive and Capital intensive technology
(D) Co-existence of National and Foreign companies
(E) Answer not known
11. Which of the following statement is true in Indian economy?
(i) Presence of mixed economy
(ii) The mixed economic system does not give ample of incentives to the private sector and uses much control
(iii) Targets fixed for those sector of the economy over which the Government had no control
(A) (i) only
(B) (i) and (ii) only
(C) (i) and (iii) only
(D) (ii) and (iii) only
(E) Answer not known
12. Choose the right matches among type:
1) Father of Capitalism – Alfred Marshall
2) Father of Socialism – Karl Marx
3) Author of Welfare – Adam Smith
4) Author of Scarcity – Lionel Robbins
(A) 1 and 3 are correct
(B) 1 and 2 are correct
(C) 2 and 3 are correct
(D) 2 and 4 are correct
(E) Answer not known
13. State whether the statements are true or false:
(i) In Mixed Economy, both Public and Private Sector Co-existence
(ii) Mixed Economy followed by India
(A) Both (i) and (ii) are true
(B) Both (i) and (ii) are false
(C) (i) is true but (ii) is false
(D) (i) is false but (ii) is true
(E) Answer not known
14. Who decide, production, distribution and decision in a Socialist pattern of Economy?
(A) Market
(B) Central Planning Commission
(C) Behaviours and traditional activities
(D) Private sector
(E) Answer not known
15. _____ Economy is completely incorporated into the Principles of Karl Marx.
(A) Socialist
(B) Capitalist
(C) Mixed
(D) Dualistic
(E) Answer not known
16. During the great depression _____ system failed to respond to the needs of the people.
(A) Capitalist System
(B) Socialist System
(C) Democratic System
(D) Mixed Economic System
(E) Answer not known
17. What are the facts related to defining GDP?
(a) It is not for a specific period of time.
(b) It measures only goods and not services.
(c) It is a non monetary measure.
(A) (a) is correct; (b) and (c) are wrong
(B) (b) and (c) are correct; (a) is wrong
(C) (a), (b), (c) are wrong
(D) (b) is correct; (a) and (c) are wrong
(E) Answer not known
18. Estimation of National Income in India is carried out by
(A) Reserve Bank of India
(B) Planning Commission of India
(C) Central Statistical Organisation
(D) National Sample Survey Commission
(E) Answer not known
19. Consider the following statement:
(1) India buys Eighth position in terms of nominal Gross Domestic product among the world economy
(2) India buys third in terms of purchasing power parity among the world economy
(3) UGANDA is included in G-20
(4) Highest internet users in the world is China as per 2017 statement
Among these, which of the statements are correct?

- (A) (1) and (2) only
 (B) (2) and (4) only
 (C) (2) and (3) only
 (D) (4) only
 (E) Answer not known
20. India ranks _____ in terms of nominal GDP among the world economy (2016-17).
 (A) Fourth
 (B) Seventh
 (C) Fifth
 (D) Tenth
 (E) Answer not known
21. Which of the following organisation calculates Gross Domestic Product (GDP) in India?
 (A) Central Statistical Organisation
 (B) State Statistical Office
 (C) Indian Statistical Office
 (D) Reserve Bank of India
 (E) Answer not known
22. Match List I (variable) with List II (measures):
 List I
 (a) Rapid growth of income
 (b) Greater inequality in income distribution
 (c) Greater regional imbalance
 (d) High level of aggregate output and income
 List II
 Gini coefficient
 Gross state domestic product per capita
 GDP
 Average annual rates of growth of GDP
 (a) (b) (c) (d)
 (A) 2 4 1 3
 (B) 4 1 2 3
 (C) 4 1 3 2
 (D) 2 3 1 4
 (E) Answer not known
23. Per capita Income can be calculated by
 (A) National Income / Population
 (B) National Income – Population
 (C) National Income + Population
 (D) National Income × Population
 (E) Answer not known
24. The share of Agricultural and allied sectors in total GDP (At 2004-05 prices) was _____ during 2010-2011 in India.
 (A) 12.9 percent
 (B) 32.4 percent
 (C) 16.4 percent

- (D) 14.4 percent
 (E) Answer not known

General Economic Concepts and Indicators

25. Which among the following is the rates recorded in the year 2019-20?
 (i) Gross Domestic saving 30.9 percent investment 32.2 percent
 (ii) Gross Domestic saving 30.0 percent investment 31.0 percent
 (iii) Gross Domestic saving 29.0 percent investment 30.0 percent
 (A) (i) only
 (B) (ii) and (iii) only
 (C) (i) and (ii) only
 (D) (i) and (iii) only
 (E) Answer not known
26. Choose the correct statements related to “Black money”
 (a) These are assets not reported to the Government at the time of their generation.
 (b) Estimate of black money in India for the year 1983-84 is 95% of GDP.
 (c) “Tax havens” are typically big countries which impose high tax on the foreigners who decide to settle down.
 (A) (a) only
 (B) (b) only
 (C) (a) and (b) only
 (D) (b) and (c) only
 (E) Answer not known
27. Which of the following is capital-output ratio?
 (A) Investment
 (B) Amount of capital needed to produce one unit of output
 (C) Savings
 (D) Credit
 (E) Answer not known
28. The Relationship between gross domestic product and unemployment is represented by
 (A) Gini coefficient
 (B) Okun’s Law
 (C) Lorenz curve
 (D) Phillips Curve
 (E) Answer not known
29. Assertion [A] : There have been steady increase in the prices of essential goods.
 Reason [R] : It affects the purchasing power of the poor people.

- (A) [A] is true but [R] is false
(B) Both [A] and [R] are true and [R] is the correct explanation of [A]
(C) [A] is false [R] is true
(D) Both [A] and [R] are true, but [R] is not the correct explanation of [A]
(E) Answer not known
30. The third Y20 Indonesia Pre-Sommit forum continues with discussions on the circular economy. The concept of circular economy is to
(A) Alleviate poverty
(B) Reduce Famine
(C) Enhance youth employment
(D) Use and reuse efficiently the resources
(E) Answer not known
31. In Economics the term "Self reliance" refers to
(A) Self sufficient
(B) Self need
(C) Self support
(D) Socio-Economic ability
(E) Answer not known
32. Major issues in Information Technology Sector consists of the followings
(i) Infrastructure and services
(ii) Electronic governance
(iii) Education
(iv) Mass campaign for IT awareness
(A) (i) and (ii) only
(B) (i) and (iv) only
(C) (i), (ii) and (iii) only
(D) (i), (ii), (iii) and (iv)
(E) Answer not known
33. Match List I (Types of Investment) with List II (Nature of Investment):
List I | List II
(a) Direct Foreign Investment (FDI) | 1. Purchase of stocks, bonds and currencies by foreigners.
(b) Foreign Portfolio Investment | 2. Investments in product assets by foreigners.
(c) Commercial loans | 3. Raising loans from foreign financial institutions.
(d) Foreign institutional assistance | 4. Provision of financial assistance by a foreign institution
(a) (b) (c) (d)
(A) 4 1 3 2
(B) 2 3 1 4
(C) 2 1 3 4
(D) 4 3 1 2
(E) Answer not known
34. The bank log of unemployed persons during the Eleventh plan (2007-12) was around
(A) 28 million
(B) 37 million
(C) 42 million
(D) 48 million
(E) Answer not known

BASICS OF THE ECONOMY

Economy & Systems | Sectors | Money & Currency | GDP
Inflation | Unemployment | BoP | Policy | Indices | Thinkers

1. ECONOMY — MEANING & INTRODUCTION

- The word "**Economy**" comes from **Greek** (oikonomia = household management).
- An **economy** = how a group (family, town, country) manages its **limited resources** (money, time, labour, materials) to **make, get and use** the goods & services people need and want. As resources are **scarce**, it is fundamentally about **making choices**.
- It directly affects **jobs, prices** (milk, petrol, rent), **business growth**, and **government revenue/welfare/public services**.
- **Three core activities: Production** (making) → **Exchange** (trading) → **Consumption** (using). Money and goods move in a continuous **circular flow**.

- **Healthy economy:** plentiful jobs, stable prices, affordability + savings. **Sick economy:** job losses, soaring prices, eroding savings, rising poverty.
- **Policy connection:** the **RBI repo rate, government budgets, and trade treaties** keep the economy healthy.

Foundational thinkers (intro):

- **Adam Smith** = "Father of Modern Economics"; wrote **Wealth of Nations** (1776).
- **Lionel Robbins (Scarcity definition):** economics studies **human behaviour as a relationship between ends and scarce means with alternative uses.**
- **Paul Samuelson:** "Economics is the oldest of the arts, the newest of the sciences — the queen of all social sciences."
- **J.M. Keynes:** coined "**Paradox of Thrift**"; from **England**; emphasised the **Expenditure** side; advocated a **Mixed Economy with a large public-sector/Government role.**

THEME

- Economics begins with **scarcity** → **choice**; the **production-exchange-consumption loop** is the engine the State and RBI keep running.

2. BRANCHES OF ECONOMICS & MICRO VS MACRO

Branch	Studies
Microeconomics	Behaviour of individual units (firms, consumers, prices)
Macroeconomics	The whole economy (national income, output, employment, price level)
Welfare Economics	Interrelationship between economic activity and social welfare
Econometrics	Applies statistical & mathematical methods to economic problems

#	Microeconomics	Macroeconomics
1	Individual unit	Whole economy / large groups
2	Marginal analysis	Employment, public finance, national income
3	Individual prices/consumption/production	National income, total output, general price level
4	Price analysis	Income analysis
5	"Price Economy"	"Income Theory"

- **(Enrichment)** The terms "**micro-**" & "**macroeconomics**" were coined by **Ragnar Frisch (1933)** — though many exam keys credit **Keynes**, who is the **father of modern macroeconomics.**

3. TYPES / CLASSIFICATION OF ECONOMIC SYSTEMS

System	Who decides	Example / tag	Note
Traditional	Custom & ancestry; barter, no formal money	Amazon tribal community	Little innovation, no scale, climate-vulnerable
Command / Planned (Socialist)	Government owns & controls everything (what/how much/price)	North Korea; USSR (pre-1991)	Welfare of all sections over private profit; Karl Marx = Father of Socialist Economy ; chronic shortages, little innovation

System	Who decides	Example / tag	Note
Market / Capitalist	Supply & demand; minimal government	USA (pre-New Deal); "System of Natural Liberty"	Means of production privately owned, profit motive; price set by demand & supply ; inequality, monopolies, no safety nets
Mixed (most common)	Private + Government share control	India, USA, UK, Germany, Japan	Term coined by Pat Mullins ; India adopted it to bring socialism ; balances freedom + fairness
Open	Domestic + foreign entities trade in products	Trade-linked economies	Engages with the world
Closed	Entirely self-sufficient, no external trade	Autarky	No trading links

- **Why "Mixed" dominates:** blends **market freedom (innovation)** with **state fairness (worker/environment protection)**, fixing the flaws of pure systems.

THEME

- Spectrum: **all-tradition** → **all-state (Socialist/Command)** → **all-market (Capitalist)** → **balanced Mixed**, cross-cut by **Open vs Closed**. India = **Mixed + Open**.

4. DEVELOPED VS DEVELOPING VS NIC VS LDC

- **Developed economy:** national & per-capita income **above a certain level**.
- **Developing country:** has **not achieved industrialisation** and is **not a free-market** economy. India's placement here rests on **agriculture dependence + disguised unemployment**.
- **Newly Industrialised Country (NIC):** more advanced than other developing nations.
- **Jacob Viner** defined **underdevelopment** by **development prospects**.
- **Least Developed Country (LDC):** lowest socio-economic/HDI indicators; **Niger = world's least developed (HDI)**.

5. MONEY & THE BARTER SYSTEM

- **Money** = universally accepted tokens for exchanging goods/services or settling debts; solves the chaos of barter.
- **Three functions:** **Medium of Exchange** (the "middleman"); **Store of Value** (eroded by inflation); **Unit of Account** (measuring rod of value).
- **Why money was invented:** barter's fatal flaw = the "**double coincidence of wants**"; perishables rotted before trade. Money fixed both.

Type	Basis	Examples
Commodity money	Intrinsic value	Gold coins, salt (Roman "salary"), cowrie shells
Fiat money	Government trust (no backing)	Rupee, Dollar, Euro
Digital money	Numbers on a screen	Bank apps, NEFT/RTGS, RBI e-Rupee (CBDC, 2022)
Crypto money	Decentralised "internet money"	Bitcoin, Ethereum (not legal tender in India; under PMLA 2002 from 2023)

- **Problems with money:** **inflation, inequality, counterfeit currency, currency (exchange-rate) risk.**

6. FIAT MONEY & LEGAL TENDER

- **Fiat money** = money with **no intrinsic value**, valid only because the government declares it so ("fiat" = "let it be done").
- **In India: Coins** (up to ₹1,000 face value) — **Govt of India, Coinage Act 2011**; **Notes** (except ₹1) — **RBI, RBI Act 1934** ("I promise to pay the bearer..."); **₹1 note** — **Govt of India** (signed by Finance Secretary), no RBI promise. Coins vs notes fall under **two separate laws**.
- **Legal tender** = money that **must be accepted by law** to settle debts. **All legal tender is fiat money, but not all fiat money is legal tender.**

Type	Examples	Limit
Unlimited legal tender	All RBI notes (₹10–₹500)	No ceiling
Limited legal tender	Coins ₹1+ → up to ₹1,000; 50-paise → up to ₹10; sub-50 paise withdrawn (2011)	Creditor may refuse beyond limit

- **NOT legal tender:** cryptocurrencies; shares/bonds/cheques/DDs/casino tokens; commemorative coins (unless notified); demonetised ₹500/₹1000 (post-8 Nov 2016 — still fiat, not legal tender).
- **Finance Act 2017:** cash payments **above ₹2 lakh** barred for daily transactions.

THEME

- Two clean distinctions: **fiat vs legal tender**, and **who issues what** (notes = RBI; ₹1 note + all coins = Govt of India).

7. INDIAN CURRENCY — MAHATMA GANDHI (NEW) SERIES

Note	Theme/Colour	Reverse design	Significance
₹10	Chocolate Brown	Sun Temple, Konark	13th C; Narsimhadev-I, Eastern Ganga
₹20	Greenish Yellow	Ellora Caves	Rock-cut temples; UNESCO
₹50	Fluorescent Blue	Hampi Chariot (Vittala Temple)	Vijayanagara; UNESCO
₹100	Lavender	Rani ki Vav, Patan	Rani Udaymati (Solanki, 11th C); UNESCO
₹200	Bright Yellow	Sanchi Stupa	3rd C BCE Buddhist; UNESCO
₹500	Stone Grey	Red Fort, Delhi	Shah Jahan, 1639; UNESCO
₹2000	Magenta	Mangalyaan (Mars Orbiter, 2013)	India's first interplanetary mission

- **₹ symbol:** **D. Udaya Kumar (IIT Guwahati)**, adopted 2010 (Devanagari "Ra" + Roman "R").
- **National Emblem:** **Sarnath Lion Capital**; "Satyamev Jayate" (Mundaka Upanishad); adopted 26 Jan 1950.
- **Languages:** 8th Schedule lists **22**; notes carry **17**.
- **Numismatic Museum (Budget 2020):** Old Mint Building, **Kolkata (1829)**.
- **e-Rupee (CBDC):** pilot from **Dec 2022** (Wholesale e₹-W + Retail e₹-R; legal tender).
- **Polymer notes:** ₹10 piloted in 5 cities (2019).

8. SECTORS OF THE ECONOMY

Sector	Covers	Notes
Primary	Extraction from nature	Agriculture, Dairy , mining, fishing

Sector	Covers	Notes
Secondary	Adds value to natural resources (manufacturing)	Workers = Blue-Collar ; Industry = biggest tax-payer
Tertiary	Production + exchange of services	India: Transport, Communication, Banking; largest GDP contributor
Quaternary	Specialised knowledge activities	R&D, IT, consultancy
Quinary	Top decision-makers	Senior officials, universities, media

- **Organised vs Unorganised:** the **Unorganised sector** = small, scattered units **outside government control** (~90% of India's workers).

India's three sectors (shares & employment):

Sector	Share & Employment	Key points
Primary (Agri & allied)	15% GDP / 45% jobs	86% small/marginal farmers; 52% rain-fed; MSP for 23 crops; PM-KISAN ₹6,000/yr
Secondary (Industry)	26% GDP	Textiles (12% exports), Pharma ("pharmacy of the world"), Autos (3rd-largest market 2023)
Tertiary (Services)	55% GDP	IT \$254 bn (FY24); Tourism 6.7% of GDP; UPI 18 bn transactions/month

THEME

- Split-personality fact: **Industry = biggest tax-payer**, **Services = largest GDP share**, **Unorganised = largest employer**.

9. MACROECONOMICS — GROSS DOMESTIC PRODUCT (GDP)

- **GDP** = total market value of all **final** goods & services produced **within a country's borders** in a year, regardless of producer nationality.
- **Three methods:** **Output** (Σ value added = Output - Intermediate Consumption); **Income** (wages + profits + rents + mixed income + (taxes - subsidies)); **Expenditure** = $C + I + G + (X - M)$.

Aggregate	Formula	India context
GDP	Output produced inside India	₹298.8 lakh cr (FY24E)
GNP	GDP + net factor income from abroad	Indians' overseas income
GVA	GDP - net taxes on products	Sectoral base (GVA + taxes = GDP)
NDP	GDP - depreciation	Net wealth creation
Per Capita Income	GDP ÷ Population	≈ ₹1.72 lakh/yr (FY23)

- **FY25 Advance Estimates:** Nominal ≈ ₹324.1 lakh cr (~\$3.9 trn) → **5th-largest economy**; **Real GDP growth** 6.4% (NSO; IMF 6.5% FY26).
- **Sectoral share:** Services 55%, Industry 26%, Agriculture 15%.
- **GDP Deflator** converts nominal → real; **base year 2011-12**.

THEME

- Three lenses measure the **same GDP**; **GVA = supply-side base**; India is **services-led**.

10. INFLATION

- **Inflation** = sustained rise in general price level → falling **purchasing power**.
- **CPI (retail)**: sub-indices **CPI-Rural, CPI-Urban, CPI-IW, CPI-AL**; base **2012=100**; by **MoSPI**.
- **WPI (wholesale)**: base **2011-12**; by **DPIIT (Commerce)**.
- **RBI target: 4% ± 2% (2-6%)** (RBI Act **Section 45ZA**; MPC since 2016).

Type	Cause / Example
Demand-Pull	Excess demand (post-COVID boom; festive spikes)
Cost-Push	Rising input costs (crude, Russia-Ukraine 2022)
Structural	Supply rigidities (vegetable spikes; cold-chain)
Imported	INR depreciation (crude, edible oil)
Core	Excludes food & fuel (RBI watches)
Stagflation	High inflation + stagnant growth + high unemployment

11. UNEMPLOYMENT

Type	Description / India example
Structural	Skill mismatch; needs education reform
Cyclical	Downturns (COVID hospitality/aviation)
Disguised	More workers than needed; marginal productivity = 0 (agriculture)
Frictional	Transitional, between jobs
Seasonal	Off-harvest idleness

- **PLFS 2023-24**: Urban **6.7%**, Rural **5.3%**, Youth **~16.5%**; Female LFPR **41.7% rural / 23.2% urban**.

12. BALANCE OF PAYMENTS (BOP)

- **Current Account**: merchandise + services + primary income (investment income, remittances) + secondary income. **Remittances \$120 bn (FY24) — world's largest recipient**.
- **Capital Account**: capital transfers; non-produced non-financial assets.
- **Financial Account**: FDI, FPI, external loans, reserve changes.
- **CAD (FY24)**: **~\$23 bn (0.7% of GDP)** (from 2.1% FY23).
- **Forex (Mar 2025)**: **~\$654 bn — 4th-largest; ~11 months import cover**.

THEME

- BoP balances across **Current + Capital + Financial**; **low CAD + high reserves = external stability**.

13. MACROECONOMIC POLICIES

(A) Fiscal (Min. of Finance — tax + spend): Expansionary (spend more/cut taxes in recession) vs Contractionary (cut spend/raise taxes in boom). **FRBM Act 2003:** deficit cap **3% of GDP** (6.4% FY21 COVID; FY25 target 4.9%). **GST (2017):** ₹2.10 lakh cr (Apr 2024). **Capex (FY25):** ₹11.11 lakh cr (highest ever).

(B) Monetary (RBI; MPC every 6 weeks):

Tool	Rate / Role
Repo	6.25% (Feb 2025) — RBI lends to banks
Reverse Repo	3.35% — absorbs liquidity
CRR	4% — cash with RBI (no interest)
SLR	18% — liquid assets (gold, G-secs)
OMO	Buy/sell G-secs
LAF	Day-to-day liquidity
MSF	Emergency overnight at Repo + 0.25%

(C) Exchange Rate: Managed Float ("Dirty Float") — market-determined + RBI intervention; **INR ≈ ₹87/\$ (Mar 2025)**. Depreciation: exports cheaper, imports costlier (worsens CAD, oil inflation).

THEME

- **Fiscal (Govt: tax & spend) + Monetary (RBI: rates & money) = twin levers; the rupee floats but is managed.**

14. THEORIES, MODELS & CORE MICROECONOMICS

Macro theories & models:

- **Keynesian (1936):** boost **aggregate demand** in recessions via fiscal policy — India's **₹20 lakh cr Atmanirbhar Bharat (2020)**.
- **AD & AS:** $AD = C + I + G + (X - M)$; equilibrium at $AD = AS = \text{Potential GDP}$ (inflationary gap if $AD > \text{potential}$; recessionary gap if $AD < \text{potential}$).
- **Multiplier:** ₹1 spending $\rightarrow >₹1$ GDP (**Multiplier = $1/(1 - MPC)$**); e.g., MGNREGA wages.
- **Phillips Curve:** short-run **inverse inflation-unemployment**; India 2022 = **stagflationary** paradox.
- **Rostow's Stages:** Traditional \rightarrow Pre-conditions \rightarrow **Take-off (India post-1991)** \rightarrow Drive to Maturity \rightarrow **Mass Consumption**.
- **Amartya Sen's Capability Approach:** development = **freedom to lead a valued life**; income is a means (e.g., PM Poshan).

Core microeconomics:

- **Theory of Demand** (consumer max satisfaction; income split among goods at market prices) — first explained by **Alfred Marshall**.
- **Elasticity of Demand** = $\% \Delta \text{qty demanded} \div \% \Delta \text{price}$; **Elasticity of Supply** = supply responsiveness to price.
- **Stages of production:** total/marginal/average output all rise in **Stage 1**; **marginal becomes negative in Stage 3**.
- **PPC = "Line of Transformation"**; shape **concave to the origin**.
- **Opportunity Cost** = value of the **second-best sacrifice**; **Marginal Opportunity Cost = Marginal Rate of Conversion**.

- **Inputs** = raw materials + intermediate goods; **quantity supplied decided by Cost of Production**; **total cost curve = U-shaped**; minimum payment to production multiplier = **Virtual Rent**.
- **Utility: Fisher** used "Util"; sum of units = **Total Utility**; rising total utility → **Positive Marginal Utility**; **Law of Equi-Marginal Utility** = equalise marginal utility per rupee across goods.

15. ECONOMIC & SOCIAL DEVELOPMENT INDICES

- **Parameter of economic development = National Income.**

Index	Key facts
HDI	First published by UNDP; first under Mahbub-ul-Haq (1990) ; components = life expectancy + expected years of schooling + mean years of schooling + GNI ; scale 0-1 ; 4 pillars = Equity, Productivity, Empowerment, Sustainability ; life-expectancy bounds 25-85 ; India 0.644 , rank 134/193 (2024)
IHDI	Inequality-adjusted; percentage ; if no disparity, IHDI = HDI
Gini	0 = equality, 1 = inequality; India 0.35 (2021)
MPI	By Oxford OPHI + UNDP ; first published 2010 ; 10 indicators (health/education/living standards); India 11.28% poor (2023) , down from 29.17% (2013-14)
GNH	Coined by Jigme Singye Wangchuck (Bhutan) , 1972 ; 9 domains
PQLI	Coined by Morris David Morris
GHI	Concept by IFPRI ; first published 2006 ; 4 parameters
Gender indices	Global Gender Equality Index by UNDP; Gender-Based Development Index in HDR 2015

- **First Indian state HDR (by Amartya Sen) = Madhya Pradesh (2000).**

16. SUSTAINABLE DEVELOPMENT

- **Definition:** "saving energy & resources for the future without sacrificing present comfort."
- **SDGs set by UNGA — 17 goals**; **Agenda 2030** = poverty, inequality, climate change; **first emphasised by UNCED**; **UNCSD established 1992**; **SDG-6 = water (India)**.
- **India's SDG commitments: 500 GW renewables by 2030** (~200 GW in 2024); **Net Zero 2070 (COP26)**; **45% emissions-intensity cut by 2030** (vs 2005); **SDG rank 109/166 (2023)**; **International Solar Alliance (HQ Gurugram, India + France)**; **PM Garib Kalyan Anna Yojana** (free grain to 800 mn till Dec 2028); **G20 Presidency 2023**; **Voice of Global South Summit**.

17. PPP & GLOBAL GDP RANKINGS

- **PPP compares productivity & living standards**; **India = 3rd largest (PPP, 2021)**.

Top 10 nominal GDP (2022):

Rank	Country	Rank	Country
1	USA	6	India
2	China	7	France
3	Japan	8	Italy
4	Germany	9	Canada
5	Britain (UK)	10	South Korea

THEME

- India ranks **higher in PPP (3rd) than nominal (~5th/6th)** because PPP adjusts for cost of living.

18. INDIA-SPECIFIC MACRO ISSUES

- **Twin Balance Sheet Problem:** stressed banks (high NPAs) + over-indebted corporates (2014–20). **Solution:** IBC 2016 → NPAs resolved ₹3.16 lakh cr by 2023; **Gross NPA fell to 2.8% (Mar 2024) — decade-low.**
- **Demographic Dividend:** 65% under 35; median age 28.4; largest youth labour force by 2027 (ILO); only ~5% formally skilled; low Female LFPR (~37%) → Skill India, PMKVY.
- **Jobless Growth:** GDP rises but jobs lag; IT revenue \$254 bn (FY24) with fewer net jobs (AI automation).

19. INDIAN ECONOMY — CHARACTERISTICS & STRUCTURE

- **Mixed:** public sector dominates strategic sectors (defence, railways, nuclear); private leads IT, telecom, consumer goods, pharma; **1991 liberalisation** expanded private role.
- **Demographic dividend:** population **1.44 bn (2024 est.)**; median age 28.4; ~7–8 mn workers/year added.
- **Dualistic:** modern IT hubs (Bengaluru, Hyderabad) coexist with subsistence farming + a **~90% informal** workforce.
- **Regional disparities:** Maharashtra (~14% GDP), TN, Gujarat (high) vs Bihar, Jharkhand, UP (low PCI); levellers = Finance Commission, PMGSY, Aspirational Districts.
- **Key reforms:** GST (2017); Make in India (2014, manufacturing → 25% of GDP; iPhone TN via Foxconn/Tata); PLI (14 sectors, \$26 bn; Micron's first chip fab, Gujarat); JAM Trinity DBT (saved ₹3.48 lakh cr, 2013–24); Ayushman Bharat PM-JAY (₹5 lakh cover, 55 cr — world's largest public health insurance).

THEME

- India = **mixed + dualistic + services-led + regionally unequal**, reforming toward **formalisation, manufacturing & digital delivery.**

20. DEVELOPING VS DEVELOPED TRAITS

Developing trait	Developed trait
MSP & PDS (food security)	PLI (high-tech manufacturing)
MGNREGA (rural job guarantee)	Digital India / Startup India
Monsoon dependence	Space tech (ISRO, Chandrayaan, Gaganyaan)
90% informal workforce	UPI — world's most-used real-time payments
11% multidimensional poor (2023)	5th-largest economy (\$3.9 trn)

- **Developing features:** high population & poverty (MPI ~11.28%); agriculture 15% GDP but 45% jobs (low productivity); inequality (Gini 0.35; top 1% holds 40.1% wealth — Oxfam 2024); infra gaps (1.3 beds/1,000 vs WHO 3.5); informal dominance (Labour Codes, 4 codes 2020).
- **Developed features:** services 55% of GDP; IT exports \$254 bn; UPI 18 bn/month; Aadhaar 1.38 bn; Chandrayaan-3, Aditya-L1; 60% of global vaccines; renewables ~200 GW → 500 GW by 2030; Sensex 80,000+ (2024); FDI \$71 bn (FY24); Smart Cities, Metros (945 km/21 cities).

21. ECONOMIC GROWTH VS DEVELOPMENT

Economic Growth	Economic Development
Rise in GDP/PCI (quantitative)	Improvement in quality of life (qualitative)
Focus: income, output, production	Focus: health, education, freedom, equality
Measured by GDP, PCI	Measured by HDI, MPI, Gini, GNH
India GDP grew 7.2% (FY23)	Kerala model — high literacy/life-expectancy despite lower GDP

- **Growth without development — challenges:** jobless growth; regional inequality (Bihar PCI ≈ ₹54,000 vs Goa ≈ ₹5.3 lakh, FY23); environmental cost (Yamuna/Ganga pollution; 14 Indian cities in top-20 most polluted); gender inequality (Global Gender Gap rank **129/146, 2024**).

THEME

- **Growth ≠ development:** GDP measures output; **HDI/MPI/Gini/GNH** measure whether it improves lives.

22. INDIAN ECONOMY — GLOBAL LINKAGES

- **Globalisation positives:** IT exports \$254 bn, FDI \$71 bn, pharma exports \$27 bn — "pharmacy/back-office of the world."
- **Negatives:** vulnerability to shocks — Russia-Ukraine (fuel/fertiliser inflation), US Fed hikes (FPI outflows, INR depreciation), China slowdown (commodities).
- **China+1:** MNCs diversifying to India (Apple, Samsung, Foxconn).

Institution	India's connection
IMF	Quota 2.75% (12th-largest); SDR ~\$17 bn (2021)
World Bank	Funds PM Gati Shakti, MGNREGA, NRLM, PMGSY
WTO	Founding member (1995); agriculture/food-security negotiations
ADB	Major borrower; HQ Manila
BRICS NDB	Founder member; HQ Shanghai
G20	2023 Presidency — "Vasudhaiva Kutumbakam"

23. MAJOR CHALLENGES (2024-25)

- **Unemployment/underemployment:** urban 6.7%, rural 5.3%; youth ~16.5%; disguised in agriculture; gig economy lacks social security.
- **Inflation:** elevated food inflation; 85% crude import dependence.
- **Infrastructure deficit:** 8% T&D losses; only 2% of roads are NHs; 1.3 beds/1,000 → Bharatmala, PM Surya Ghar, Ayushman Bharat.
- **Inequality:** top 10% holds 77% wealth (Oxfam 2022); top 1% holds 40.1% (2024); rural-urban PCI gap ~3:1; DBT saved ₹3.48 lakh cr.
- **Environmental stress:** 14 cities in global top-20 polluted; 600 mn face water stress; 3rd-largest CO₂ emitter but 4th-largest renewables builder → CAMPA, Green Credit, PM-PRANAM.
- **Global headwinds:** US tariff uncertainty (2025), Red Sea disruptions, China dumping, AI-driven IT/BPO automation.

24. COLOURS OF THE ECONOMY

Colour / Type	Meaning
Green	Low-carbon, resource-efficient, environmentally sustainable growth (UNEP)
Blue	Sustainable use of ocean & marine resources (fisheries, shipping, offshore energy, coastal tourism)
Orange (Creative)	Arts, music, film, design, fashion, media, gaming, publishing
Brown	Traditional fossil-fuel-based, carbon-intensive economy
Grey	Unreported-but-legal transactions; also the elderly economy
Black	Illegal/underground, untaxed (black money, parallel economy)
White	Formal, legal, taxed economy; also health/wellness
Red	State-controlled/communist; also a war economy
Silver	Goods & services for the elderly (60+)
Pink	LGBTQ+ consumer market ("pink money")
Purple	The care economy (paid + unpaid caregiving)

New-age forms:

Type	Meaning
Creator Economy	Individuals monetising their own content/skills on digital platforms (YouTubers, influencers, creators)
Gig Economy	Short-term, freelance, on-demand platform work (Uber, Swiggy/Zomato); flexible but low social security
Sharing Economy	Peer-to-peer sharing of under-used assets (Airbnb, Uber)
Platform/Digital	Activity built on digital platforms & data (e-commerce, UPI, fintech)
Circular	Reduce–reuse–recycle (vs linear take-make-dispose)
Knowledge	Driven by knowledge, information & IP (IT, R&D)
Informal/Shadow	Unregulated, untaxed but often legal (~90% of workforce)
Bio-economy	Based on biological resources/biotech
Token/Crypto	Blockchain-based value exchange

THEME

- Colours classify an economy by its base — **environment (Green/Blue/Brown), legality (White/Black/Grey), people (Silver/Pink/Purple), creativity & digital labour (Orange/Creator/Gig/Sharing)**. India is pushing **Blue (Sagarmala, Deep Ocean Mission), Green (renewables, Net Zero 2070), Orange/Creator (AVGC policy) and Circular** economies.

25. OTHER ASPECTS — PRICING

- **Exchange** = the process of **determining price**.
- **Commodity Pricing** = pricing related to **market conditions, competition & monopoly**.
- **Instrument Pricing** = pricing process also known as **distribution**.

26. FATHERS OF ECONOMICS — THINKERS & SCHOOLS

Economist	Title	Period	Core contribution
Adam Smith	Father of Modern Economics / Capitalism	1723–90	Wealth of Nations (1776): division of labour, invisible hand, laissez-faire, labour theory of value
Alfred Marshall	Father of Microeconomics / Neo-Classical	1842–1924	Principles (1890): supply-demand "scissors", elasticity, consumer/producer surplus, partial equilibrium
J.M. Keynes	Father of Macroeconomics	1883–1946	General Theory (1936): aggregate demand, multiplier, counter-cyclical fiscal policy, liquidity trap, animal spirits
David Ricardo	Father of Trade Theory	1772–1823	Comparative advantage (1817); Ricardian rent; iron law of wages
T.R. Malthus	Father of Demography	1766–1834	Essay on Population (1798): population (geometric) outruns food (arithmetic) → checks
Karl Marx	Father of Socialism/Communism	1818–83	Das Kapital (1867): surplus value, class struggle, historical materialism, base & superstructure
Milton Friedman	Father of Monetarism	1912–2006	"Inflation is always a monetary phenomenon"; $MV = PQ$; permanent income hypothesis (Nobel 1976)
Friedrich Hayek	Father of Free-Market Liberalism	1899–1992	Road to Serfdom (1944): central planning → tyranny; prices as knowledge; spontaneous order
Amartya Sen	Father of Development/Welfare Economics	1933–	Capability approach; entitlement theory of famines; inspired HDI; "missing women" (Nobel 1998)
Joseph Schumpeter	Father of Innovation Economics	1883–1950	Creative destruction; entrepreneur as hero of capitalism
Paul Samuelson	Neoclassical Synthesis	1915–2009	Mathematical economics; public-goods theory (Nobel 1970)
A.C. Pigou	Father of Welfare Economics	1877–1959	Externalities; Pigouvian tax
W.W. Rostow	Stages-of-Growth Theory	1916–2003	Five stages: Traditional → Mass Consumption
Simon Kuznets	Father of National Income Accounting	1901–85	Invented GDP framework; Kuznets Curve (Nobel 1971)

India-linked ideas: Smith — pin factory (48,000 pins/day), criticised East India Company monopoly; Marshall — $PED = \frac{\% \Delta Qty}{\% \Delta Price}$ (GST/MSP debates); Keynes — "in the long run we are all dead" (multiplier behind MGNREGA); Ricardo — India exports IT, imports aircraft (comparative advantage); Malthus — India's **1952 National Family Planning Programme** (world's first); Friedman — RBI's $4\% \pm 2\%$ targeting; Schumpeter — Jio's "creative destruction" of telecom; Sen — Bengal Famine 1943 (entitlement failure), Kerala model; Pigou — coal cess & sin-goods GST.

Economist	Famous Quote
Adam Smith	"Not from the benevolence of the butcher... but from their regard to their own interest"
Alfred Marshall	"Economics is a study of mankind in the ordinary business of life"
John Maynard Keynes	"In the long run, we are all dead"
Karl Marx	"Workers of the world, unite!"
Milton Friedman	"Inflation is always and everywhere a monetary phenomenon"

Economist	Famous Quote
Amartya Sen	"Development is freedom"
Joseph Schumpeter	"Creative destruction is the essential fact about capitalism."

Schools of thought:

School	Period	Key thinkers	Core belief	Policy stance
Classical	1776–1870	Smith, Ricardo, Mill	Markets self-correct; free trade	Laissez-faire
Marxist/Socialist	1848–	Marx, Engels, Lenin	Capitalism exploitative; class conflict	State ownership; central planning
Neo-Classical	1870–1930	Marshall, Pigou, Walras	Marginal utility; equilibrium	Free markets + welfare corrections
Keynesian	1936–70s	Keynes, Hicks, Samuelson	AD drives output; markets fail	Fiscal policy; deficit spending
Monetarist	1960s–	Friedman, Phelps	Money supply drives prices	Monetary rules; minimal fiscal activism
Supply-Side	1980s–	Laffer	Tax cuts boost growth	Tax cuts; deregulation
Development	1950s–	Sen, Rostow, Myrdal	Growth ≠ development	HDI; welfare; structural transformation
Behavioural	1970s–	Kahneman, Thaler	People aren't fully rational	Nudge; choice architecture (PMJDY)

Indian economic thinkers:

Thinker	Contribution
(1825–1917)	Drain of Wealth; Poverty and Un-British Rule in India (1901)
(1842–1901)	Economic nationalism; Bombay School
(1866–1915)	Free & compulsory primary education; influenced Gandhi
(1869–1948)	Trusteeship, Gram Swaraj, Swadeshi
(1892–1960)	Gandhian economics; "Economy of Permanence" ; decentralized rural development
(1891–1956)	The Problem of the Rupee (1923); groundwork for RBI's monetary structure
(1889–1964)	Mixed economy; Planning Commission (1950); Mahalanobis model
(1893–1972)	Architect of 2nd Plan; heavy-industry model
(1932–2024)	1991 LPG reforms; dismantled Licence Raj
(1933–)	Capability approach; HDI; entitlement theory (Nobel 1998)
(1963–)	Ex-RBI Gov; cleaned NPAs; Fault Lines predicted 2008 crisis
(1961–)	RCTs for poverty; Poor Economics (Nobel 2019, with Duflo)

THEME

- Pin down **WHO said WHAT, WHEN**: Smith→invisible hand, Marshall→micro/elasticity, Keynes→macro/multiplier, Ricardo→comparative advantage, Malthus→population, Marx→surplus value, Friedman→monetarism, Sen→capabilities, Schumpeter→creative destruction, Kuznets→national income, Pigou→externalities.