

Unit - 1

Gross Domestic Product and its Growth: an Introduction



Learning Objectives

- To know about the meaning of Gross Domestic Product
- To Understand the basic various measures of National Income
- To understand the composition of GDP
- To know the contribution of different sectors in GDP
- To know the economic growth and development and its differences
- To know about Development path based on GDP And Employment
- To understand the growth of GDP and Economic Policies



Introduction

To understand how the GDP tells us how India is doing, you should understand what GDP is.

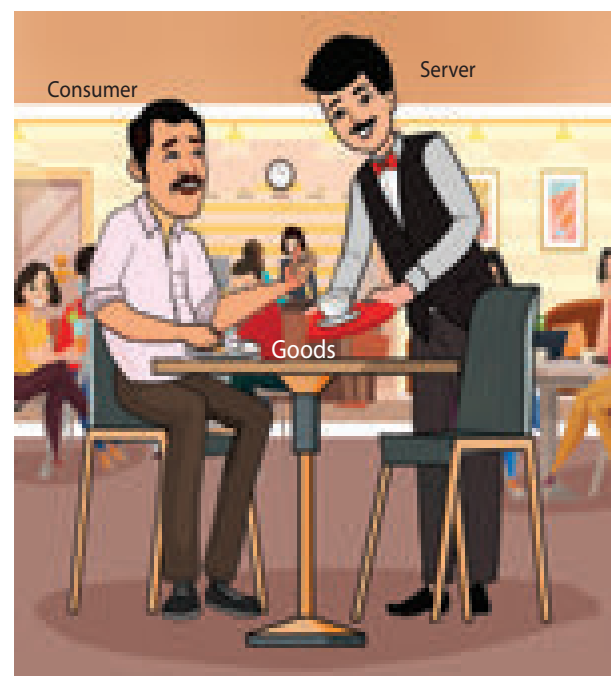
Imagine what happens in a hotel. You place an order for two Idlis and a cup of tea. Someone makes the idlis and tea and someone else serves you.

Idlis and tea are produced . These are tangible, physical things you can touch and feel. Economists call such tangible items “goods”. These goods are not free but have to pay or to be paid.

Though you don't realise it in addition to these tangible things called goods, something else is being produced : the work done by the cooks and the people who serve the food. The activity of cooking and serving is not something you can feel and touch. Such activities are not tangible but are nevertheless

crucial for you to enjoy the food. Economists call such activity “services”.

What happens everyday in a hotel at nation wide: goods and services are produced and paid for and this what the GDP measures.



Gross National Happiness (GNH)

The term Gross National Happiness was coined in 1972 during an interview by a British journalist for the Financial Times at Bombay airport when the then king of Bhutan, Jigme Singye Wangchuck, said "Gross National Happiness is more important than Gross National Product.

In 2011, The UN General Assembly passed Resolution "Happiness: towards a holistic approach to development" urging member nations to follow the example of Bhutan and measure happiness and well-being and calling happiness a "fundamental human goal."

The four pillars of GNH's are

1. sustainable and equitable socio-economic development
2. environmental conservation
3. preservation and promotion of culture
4. good governance.

The nine domains of GNH are psychological well-being, health, time use, education, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards.

economy self-sufficient. In fact, industrial development even boosts other sectors of the economy like the agricultural sector (new farming technology) and the service sector. It is also closely related to the development of trade.

Several industrial policies have been enacted. Since 1948, Industrial policy on large scale industries Eg. Textile Industry policy, Sugar Industry policy, Price policy of industrial

growth, Small scale industrial policy and Industrial Labour policy.

3. New Economic Policy

The economy of India had undergone policy in the beginning of the 1990s. This new model of economic reforms is commonly known as the LPG known as Liberalisation, Privatisation and Globalisation. These economic reforms had influenced the overall economic growth of the country in a significant manner.

SUMMARY

- GDP is the value of all goods and services produced within an economy in a financial year.
- Indian economy is classified in three sectors Agriculture and allied Industry and Service
- Depreciation: The Monetary value of an asset decreases over time due to use, wear and tear or obsolescence
- Income: The amount of monetary or other returns, either earned or unearned, accruing over a period of time.
- Gross Value Added (GVA): The measure of the value of goods and services produced in an area, industry or sector of an economy.

A-Z GLOSSARY

Depreciation	The process of losing value	தேய்மானம்
Intermediate	Being between two other related things	இடைநிலை
Market Price	A price that is likely to be paid for something	சந்தை விலை



Final Goods	A consumer good or final good is any commodity that is produced or consumed by the consumer to satisfy current wants or needs	இறுதி பொருட்கள்
Composition	the nature of something's ingredients or constituents; the way in which a whole or mixture is made up	கலவை
Contribution	a gift or payment to a common fund or collection.	பங்களிப்பு
Staggering	continue in existence or operation uncertainly or precariously.	தடுமாற்றத்தினை



EVALUATION

I Choose the correct answer



- GNP equals
 - NNP adjusted for inflation
 - GDP adjusted for inflation
 - GDP plus net property income from abroad
 - NNP plus net property income or abroad
- National Income is a measure of
 - Total value of money
 - Total value of producer goods
 - Total value of consumption goods
 - Total value of goods and services
- Primary sector consist of
 - Agriculture
 - Automobiles
 - Trade
 - Banking
- _____ approach is the value added by each intermediate good is summed to estimate the value of the final good.
 - Expenditure approach
 - Value added approach
 - income approach
 - National Income
- Which one sector is highest employment in the GDP.
 - Agricultural sector
 - Industrial sector
 - Service sector
 - None of the above.
- Gross value added at current prices for services sector is estimated at _____ lakh crore in 2018-19.
 - 91.06
 - 92.26
 - 80.07
 - 98.29
- India is _____ larger producer in agricultural product.
 - 1st
 - 3rd
 - 4th
 - 2nd
- India's life expectancy at birth is _____ years.
 - 65
 - 60
 - 70
 - 55
- Which one is a trade policy?.
 - irrigation policy
 - import and export policy
 - land-reform policy
 - wage policy
- Indian economy is
 - Developing Economy
 - Emerging Economy
 - Dual Economy
 - All the above

II Fill in the blanks

- _____ is the primary sector in India.
- GDP is the indicator of _____ economy.
- Secondary sector otherwise called as _____.



Unit - 2

Globalization and Trade



Learning Objectives

- To know the meaning and history of globalization
- To know the trade and traders in South India historical perspective
- To know the evolution of growth of MNC
- To know the fair trade practices and WTO
- To understand the impact and challenges of globalization

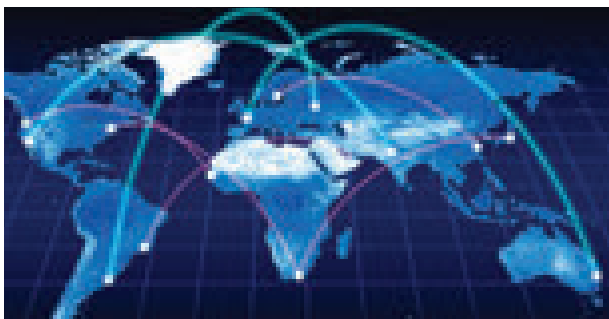


Introduction

Liberalization, Privatization and Globalization (LPG) have become a much talked of subjects among politicians, economists and businessmen in modern days.

2.1 Globalization

Globalization is the integration of a country with the world economy. Basically, globalization signifies a process of internationalization plus liberalization.

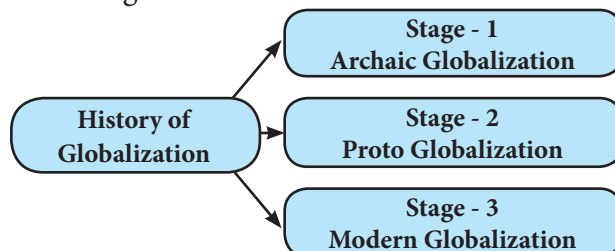


Globalization

2.2 History of Globalization

The term of 'Globalization' was introduced by Pro. Theodore Levitt. The historical

background of globalization can be discussed on three stages.



Archaic Globalization

Andre Gunder Frank argued that a form of globalization has been in existence since the rise of trade links between Sumer and Indus valley civilization in the third millennium BC (BCE). An early form of globalized economics and culture, known as Archaic globalization existed during the Hellenistic Age. An early form of globalization in the trade link between the Roman Empire, Parthian Empire and the Han Dynasty made the commercial links between these powers inspired the development of the Silk Road.

The Islamic Age was also an important early stage of globalization. The advent of the Mongol Empire, though destabilizing to the commercial

- Globalization rapidly increase better trade so that more people are employed.
- Introduced new technologies and new scientific research patterns.
- Globalization increasing the GDP of a country.
- It helps to increase in free flow of goods and also to increase Foreign Direct Investment.

Negative Impact

- Too much flow of capital amongst countries, introduces unfair and immoral distributors of Income.
- Another fear is losing national integrity. Because of too much exchange of trade, independent domestic policies are lost.
- Rapid growth of the economy has required a major infrastructure and resource extraction. This increases negative ecological and Social costs.

- Rapidly increases in exploitation of natural resources to earn foreign exchange.
- Environmental standards and regulations have been relaxed.

Challenges of Globalization

- The benefits of globalization extend to all countries that will not happen automatically.
- The fear that globalization leads to instability in the developing world.
- The industrial world that increased global competition will lead in race to the bottom in wages, labour right, and employment practice.
- It leads to global imbalance.
- Globalization has led to an increase in activities such as child labor and slavery.
- People started consuming more junk food. This caused, the degradation of health and spread of diseases.
- Globalization has led to environmental degradation.

SUMMARY

- Globalization is the integration of country with the world economy.
- The three stages of Globalization : • Archaic Globalization • Proto Globalization • Modern Globalization.
- LPG – Liberalization, Privatization, and Globalization
- Multi National Company is a corporate organization which owns or control production of goods and services in at least one country to other than its home country.
- MNC otherwise called Transnational Company(TNC) and Multinational Enterprises(MNE).
- GATT was signed by 23 countries in 1947. India was one of the founder members of GATT.

A-Z GLOSSARY

globalization	the process by which businesses or other organizations develop international influence or start operating on an international scale.	உலகமயமாக்கல்
archaic	of an early period of art or culture, especially the 7th–6th centuries BC in Greece.	தொன்மையான
evolution	the gradual development of something	பரிணாம வளர்ச்சி
mortgaged	expose to future risk or constraint for the sake of immediate advantage.	அடமானம் வைக்கப்பட்ட
spurt	cause to gush out suddenly.	திடீர்
detrimental	tending to cause harm	சீரழிவான
thriving	prosperous and growing; flourishing.	வெற்றிகரமான

Unit - 3

Food Security and Nutrition



Learning Objectives

- To study about the meaning, definition of food security
- To know about the availability and access to food grains
- To understand about the purchasing power and agricultural policy
- To gain knowledge about the multi-dimensional nature of poverty
- To study about nutrition and health status and policies in Tamil Nadu



Introduction

Food is defined as any substance that people eat and drink to maintain life and growth. Food security would denote a person's ability to eat enough, stay active and lead a healthy life.

3.1 Food Security

The United Nation's Food and Agriculture Organisation defines food security as follows:

“Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life.” (FAO, 2009)

While this comprehensive definition highlights the need for food to be nutritious, in addition to that there are certain other aspects that are required to achieve nutrition security. According to eminent agricultural scientist Dr.M.S.Swaminathan, nutrition security is:

“physical, economic and social access to a balanced diet, safe drinking water, environmental hygiene, primary health care and primary education”.

Basic components of food and nutrition security

The three basic components of food and nutrition security. They are availability, access and absorption:

1. **Availability of food** is physical availability of food stocks in desired quantities, which is a function of domestic production, changes in stocks and imports;
2. **Access to food** is primarily a matter of purchasing power and is therefore closely linked with the capabilities and employment opportunities to earn. Capabilities and opportunities in turn are related to one's access to assets and education.
3. **Absorption** of food is the ability to biologically utilise the food consumed.

SUMMARY

- The term was broadened to include the three basic components of food and nutrition security. They are availability, access and absorption.
- The Green Revolution paved the way for self-sufficiency in food grain production.
- The National Food Security Act (NFSA) was passed by the Indian Parliament in 2013.
- The new agricultural policy based on export agricultural goods was announced by the Central government in 2018.
- Health has an important role in human resources development.

A-Z GLOSSARY

Availability	that which can be used, attainable	அடையத்தகுந்த
Accessibility	right to enter	அணுகுமுறை
Affordability	ability to be afforded	தாங்கும் திறன்
Sufficient	enough	போதுமான
Purchasing power	the financial ability to buy produce	பொருள்கள் வாங்கும் திறன்
Productivity	power of producing	உற்பத்தி செய்யும் ஆற்றல்
Degradation	to reduce to a lower rank	மதிப்புக்கு குறைவு
Unidimensional	having one direction	ஒரு பரிமாணம்
Malnourished	lack of proper nutrition	உட்கட்சத்தின்மை



EXERCISE



PNP4B4

I Choose the correct answer

- _____ of food is physical availability of food stocks in desired quantities, which is a function of domestic production, changes in stocks and imports.
 - Availability of food
 - Access to food
 - Absorption of food
 - none
- Buffer stock is the stock of food grains, namely wheat and rice, procured by the government through the _____.
 - FCI
 - Consumer Cooperatives
 - ICICI
 - IFCI
- Which is correct?
 - HYV–High Yielding Varieties
 - MSP–Minimum Support Price
 - PDS–Public Distribution System
 - FCI–Food Corporation of India
 - i and ii are correct
 - iii and iv are correct
 - ii and iii are correct
 - all are correct
- _____ extended assistance through its Public Law 480.
 - United States of America
 - India
 - Singapore
 - UK

Unit - 4

Government and Taxes



Learning Objectives

- To understand the role of the government and development policies
- To gain knowledge about tax and its types
- To study how is tax levied
- To gain insight into black money and tax evasion
- To know the difference between the tax and other payments
- To understand the taxes and its development



Introduction

Tax is levied by government for the development of the state's economy. The revenue of the government depends upon direct and indirect taxes. Direct taxes are levied on income of the persons and the indirect taxes are levied on goods and services by which the government mobilises its "financial resources".

4.1 Role of Government in Development Policies

1. **Defence:** This is an essential security function to protect our nation from our enemies. The Union government is responsible for creating and maintaining defence forces.
2. **Foreign policy:** In today's world, we need to maintain friendly relationships with all the other countries in the world. We should also maintain cordial economic relationships through exports and imports, sending and receiving investments and labour. This service is also provided by the Union government.
3. **Conduct of periodic elections:** India is a democratic country. We elect our representatives to Parliament and state assemblies. Similarly the state governments conduct elections to local bodies within the state.
4. **Law and order:** Both the Union and state governments enact numerous laws to protect our rights, properties and to regulate our economy and society. To settle disputes, the Union government has a vibrant judicial system. State governments take the responsibility for administering the police force in respective states.
5. **Public administration and provision of public goods:** The government generally administers the economy and society through various departments, for example, revenue department, schools, hospitals, rural development and urban development. The local governments provide public goods like local roads, drainage, drinking water and waste collection and disposal.

Difference between Tax and other Payments

Tax	Payments
Tax is compulsory to the government without getting any direct benefits	Fee is the payment for getting any service
If the element of revenue for general purpose of the state predominates, the levy becomes a tax	While a fee is a payment for a specific benefit privilege although the special to the primary purpose of regulation in public interest.
Tax is a compulsory payment	Fee is a voluntary payment.
If tax is imposed on a person, he has to pay it; otherwise he has to be penalised	On the other hand fee is not paid if the person do not want to get the service
In this case, tax payer does not expect any direct benefit. Example: Income tax, gift box, wealth tax, VAT etc.	Fee payer can get direct benefit for paying fee. Examples: stamp fee, driving license fee, government registration fee

SUMMARY

- Direct Tax is a tax paid directly to the Union government or to state or local governments, such as income tax and property tax.
- Income Tax is a tax paid by individuals and businesses based on earned and unearned income.
- Local Tax is a tax charged by a local government, such as a city or country.

A-Z GLOSSARY

Levied	To impose taxes	வரி (விதிக்கப்பட்ட)
Fluctuation	To change	ஏற்ற இறக்கம்
Defray	Meet the expenses	செலவை ஈடுகட்ட
Proponents	Person who advocates theory	கொள்கை மொழிவோர்
Progressive Tax	Happening or developing gradually or in stages	வளர்வீத வரி
Regressive Tax	Taking a proportionally greater amount from those on lower incomes.	குறைவுவீத வரி
Proportionate Tax	(of a variable quantity) having a constant ratio to another quantity.	ஒரேவீத வரி
Evasion	The action of evading something	ஏய்ப்பு



EXERCISE

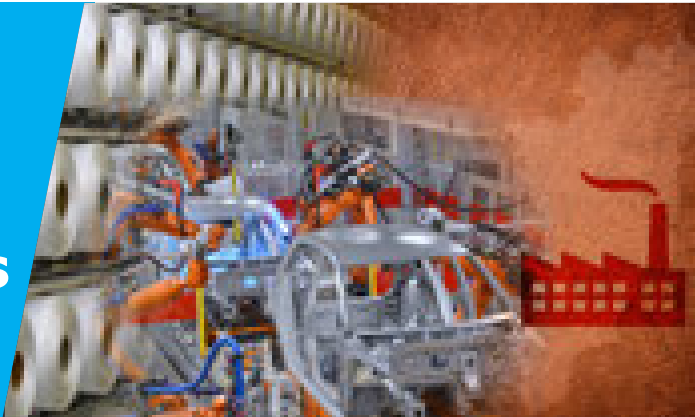
I Choose the correct answer

1. The three levels of governments in India are
 - a) Union, state and local
 - b) Central, state and village
 - c) Union, municipality and panchayat
 - d) None of the above
2. In India, taxes are including
 - a) Direct taxes
 - b) Indirect taxes.
 - c) Both (a) and (b)
 - d) None of these
3. Which is the role of government and development policies?
 - a) Defence
 - b) Foreign policy
 - c) Regulate the economy
 - d) all of above



Unit - 5

Industrial Clusters in Tamil Nadu



Learning Objectives

- To know the historical development of Industrial Clusters in Tamil Nadu
- To know the Tamil Nadu government policies and Industrial development Agencies
- To understand the impact of Government policies
- To know the role of the Entrepreneur



Introduction

Generally, “any human activity which is engaged in the conversion of raw materials into readily usable materials is called an industry”. Industrialisation refers to the process of using modern techniques of production to produce goods that are required by both consumers and other producers on a large scale. In this chapter we will learn the nature of industrialisation of Tamil Nadu, importance of industrial clusters, how industrial clusters have developed in Tamil Nadu and the role of government initiatives in promoting industries.

5.1 Importance of Industrialisation

To understand importance of industries, we need to understand why the share of agriculture in an economy's income and employment decreases with development. First, demand for food remains constant with regard to income. Therefore, as an economy grows and incomes increase, consumers tend to spend a lesser share of their income on products from the agricultural sector.

Second, even the food that is consumed is subject to more transformation. Food products are taken over longer distances, processed and branded. This also requires that food products have to be preserved. As a result, the prices that farmers get tend to be much less compared to the prices at which consumers buy.

Third, there are limits to the ability of agriculture to absorb labour due to the declining marginal productivity of land. Wages too cannot therefore increase and as a result poverty levels may remain high, especially when more and more people continue to rely on agriculture for their livelihood.

Due to all these factors, there is a need for an economy's production and employment base to diversify away from agriculture.

What benefits does industrialisation bring to an economy?

As stated earlier, it is essential to produce inputs to other producers in an economy. Even agriculture requires inputs from industry such as fertilisers and tractors to increase productivity.

were previous employees in a big firm involved in body building who came out to set up their own units.

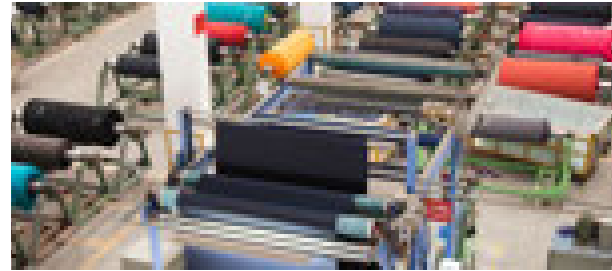


Textile Clusters

Tamil Nadu is home to the largest textiles sector in the country. Because of the development of cotton textile industry since the colonial period, Coimbatore often referred as the "Manchester of South India". At present, most of the spinning mills have moved around the Coimbatore city. Tamil Nadu is the biggest producer of cotton yarn in the country.

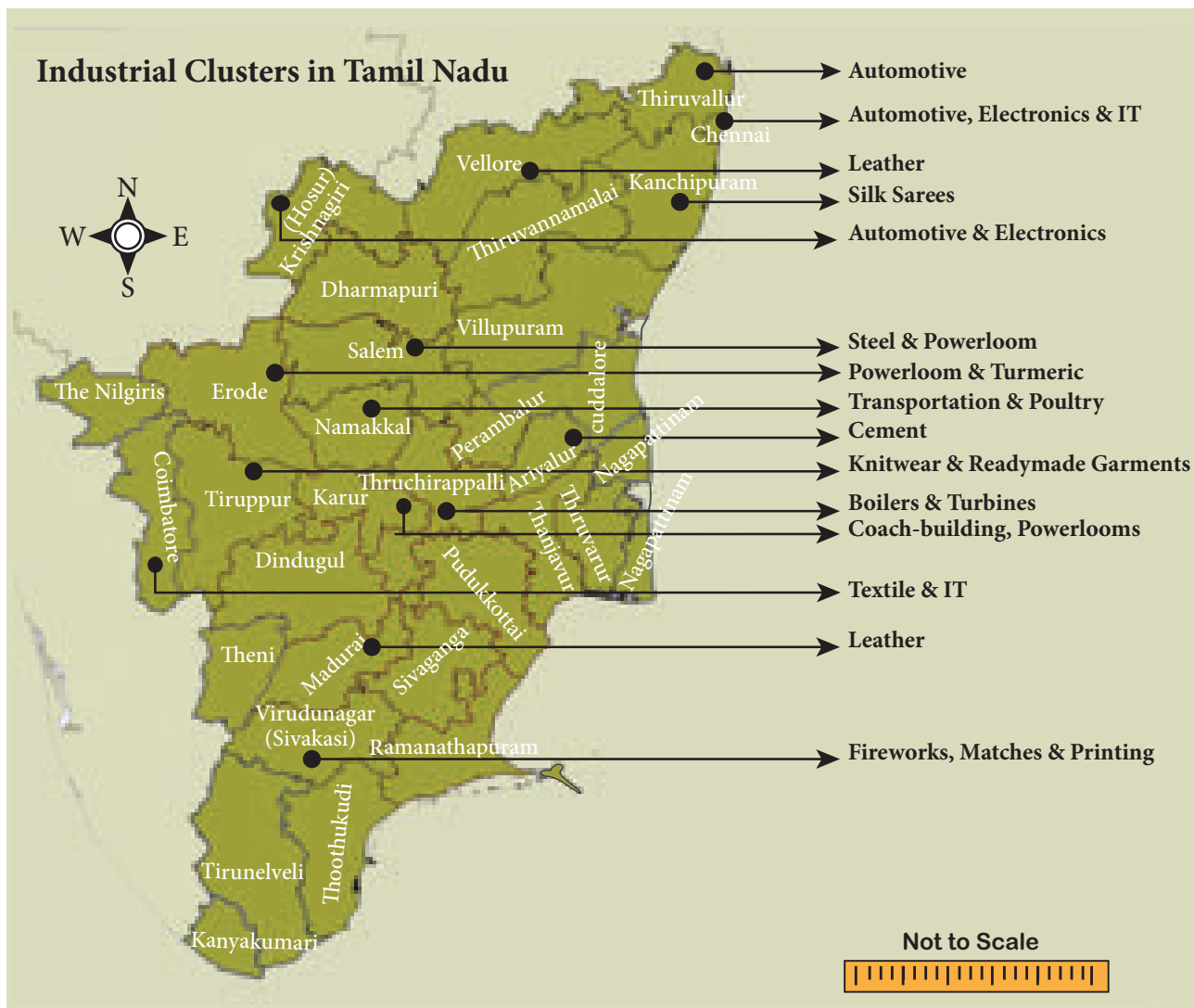
Powerloom is however more widespread with Erode and Salem region too having a large number of power loom units.

Tiruppur is famous for clustering of a large number of firms producing cotton knitwear.



Textile Industry

It accounts for nearly 80% of the country's cotton knitwear exports and generates employment in the range of over three lakh people since the late 1980s. It is also a major producer for the domestic market. Because of its success in the global market, it is seen as one of the most dynamic clusters in the Global South. While initially most firms were run by local entrepreneurs, at present, some of the leading garment exporters in India have set up factories here.¹



SUMMARY

- Industrial clusters are groups of firms in a defined geographic area that share common markets, technologies and skill requirements.
- Clusters may arise due to many factors. Certain clusters evolve over a long time in history when artisans settle in one locality and evolve over centuries.
- The Coimbatore region also witnessed diversification from textiles to textile machinery as well as agricultural machinery like electric motors and pumpsets for drawing ground water.
- Chennai is nicknamed as "The Detroit of Asia" because of its large auto industry base.

A-Z GLOSSARY

agglomerations	a mass or collection of things	திரட்சிகள்
Industrial Clusters	Relating to or characterised by industry.	தொழில் உற்பத்தி தொகுப்புகள்
Emergence	the process of coming into existence	தோற்றம்
diffusion	the spreading of something more widely	பரவல்
Artisanal	relating to or characteristic of an artisan	கைவினை சார்ந்த



EXERCISE

I Choose the correct answer

1. 'The Detroit of Asia' is _____.
a) Tuticorin b) Coimbatore
c) Chennai d) Madurai
2. Pumpsets and motors are produced mostly in
a) Salem b) Coimbatore
c) Chennai d) Dharampuri
3. _____ are an essential aspect of a nation's development.
a) agriculture b) industry
c) railway d) none of these
4. Tiruppur is known for
a) Leather tanning
b) Lock making
c) Knitwear
d) Agro-processing



EW6RPJ

5. A successful industrial cluster entirely created by the Tamil Nadu is
a) Hosur b) Dindigul
c) Kovilpatti d) Tirunelveli

II Fill in the blanks

1. Hundred of leather and tannery facilities are located around _____ District in Tamil Nadu.
2. Special Economic Zones policy was introduced on in _____.
3. _____ is an innovator of new ideas and business processes.

III Pick out odd one

1. Which one of the following is not having leather factories?
a) Ranipet b) Dharmapuri
c) Ambur d) Vaniyambadi
2. Which one of the following is not a industrial developing agency?
a) TIDCO b) SIDCO
c) MEPZ d) SIPCOT