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Ques 1 Write detailed note on following:

(a). Determination of National income with government and foreign trade.

Ans 1 (a). National income means the value of goods and Services produced by a Country during a financial year. Thus, it is the net result of all economic activities of any Country during a period of 1 year and it's Value termed in money.

National Income = C+I+G+(X−M)

Where,

C = Total Consumption Expenditure
I = Total Investment Expenditure
G = Government Expenditure
X = Export , M = Import.

- National Income got 2 aggregates related to it.

① FC (Factor Cost) :- It refers to cost of factors of production.

FC = MP − Indirect taxes + Subsidies

② MP (Market Price) :- Market price is the price that Customer actually pay.

MP = FC + Indirect taxes − Subsidies.

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- GDP (Gross Domestic Product)

It is the monetary value of all final goods and services produced in a country in a year

$$GDP = C + I + G + NX$$

Where,

$$NX = \text{Net Export}$$

- GNP (Gross National Product)

It is the Market Value of all products and services produced in one year of a country.

$$GNP = GDP + X - M$$

X = Export, M = Import

There are more methods to measure National Income :-

1. GDP
2. GNP
3. NNP (Net National Product)
4. NDP (Net Domestic Product)
5. NIFC (National Income at Factor Cost)
6. Transfer payments
7. Personal Income
8. Disposal Personal Income.

- Main points of determinant that influence the Size of National Income:-

1. The stock of factors of production
2. Labor
3. Capital
4. Enterprise
5. State of technical knowledge
6. Political Stability

- Determination on foreign trade with National Income

The issue of foreign trade and economic growth have been on the economic agenda for centuries. Foreign trade is a facilitator of goods and services exchange in the global market place and is an engine of economic growth of country.

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Q-1(b) Economic Policy, 1991 and its key features.

Ans (b):- New Economic policy refers to economic liberalisation of relaxation in the import tarriffs, deregulation of markets or opening the Markets for private and foreign players, and reduction of taxes to expand the economic ~~stages~~ wings of the Country.

★ Main objective of Economic policy, 1991 were:-

- The main objective was to plunge Indian Economy in to the areana of 'Globalization and to give it a new thrust on market orientation.

- Economy policy 1991 intended to bring down the rate of inflation.

- It intended to move towards higher economic growth rate and to build Sufficient foreign exchange reserves.

- It wanted to permit the international flow of goods, Services, Capital, human resources and technology, without many restrictions.

* 3 Major Components of Economic Policy 1991 and their features.

1.) Liberalisation :- Liberalisation refers to end of licence, quota and many more restrictions and controls which were put on industries before 1991. Indian Companies got liberalisation in following way :-

(a). Abolition of licence except in few.

(b). No restriction on expansion or contraction of business activites.

(c). Freedom in fixing prices.

(d). Liberalisation in import and export.

(e). Easy and simplifying the procedure to attract foreign capital in India.

(f). Freedom in movement of goods and services.

(g). Freedom in fixing the prices of goods and services.

2.) Privatisation :- Privatisation refers to giving greater role to private Sector and reducing the role of public Sector. To execute policy of privatisation government took the following steps:-

(a). Disinvestment of public Sector, i.e., transfer of public Sector enterprise to private Sector.

(b). Setting up of Board of Industrial and Financial Reconstruction (BIFR). This Board was set up to revive Sick units in public Sector enterprises Suffering loss.

(c). Dilution of Stake of the Government. If in the process of disinvestments private Sector acquires more than 51% Shares then it results in transfer of ownership and management to the private Sector.

3.) Globalisation :- Globalisation refers to integration of various economies of world. Till 1991 Indian government was following strict policy in regard to import and foreign investments in regard to licensing of imports, tariff, restrictions, etc.

(a) Import Liberalisation. Government removed many restrictions from import of Capital goods.

(b) Rationalisation of Tariff Structure.

(c) Abolition of Export duty.

(d) Reduction of Import duty.