

The Economics Chapter 2, titled "**People as Resource**," focuses on population not as a liability but as a **productive asset** for the economy. The fundamental concepts explored include human capital formation, economic activities, quality of the population, and the problem of unemployment.

1. Human Resource and Human Capital Formation

The chapter emphasizes the potential of a country's population, stressing its ability to contribute to the creation of the Gross National Product.

- **People as Resource:** This term refers to a country's working people in terms of their existing productive skills and abilities. This is viewed as the positive side of a large population, countering the perception that a large population only brings problems related to food, education, and health facilities.
- **Human Capital:** Population becomes human capital when investment is made through education, training, and medical care. Human capital is defined as the **stock of skill and productive knowledge** embodied in the people.
- **Investment in Human Capital:** Investing in human capital (through education, training, and medical care) yields returns, similar to investment in physical capital. This return manifests as higher incomes earned due to the higher productivity of healthier, educated, or better-trained individuals.
- **Superiority of Human Capital:** Human capital is considered superior to land and physical capital because the **human resource can utilize land and capital**, while land and capital cannot become useful on their own.
- **International Example:** Countries like Japan became rich and developed despite lacking natural resources, primarily because they invested in education and health, allowing their people to make **efficient use of other resources and technology**.

2. Illustrating the Cycles of Investment (Sakal vs. Vilas)

The contrast between two friends, Sakal and Vilas, demonstrates the impact of investing in human capital:

- **Sakal (The Virtuous Cycle):** Sakal's parents invested in his schooling, supporting him through higher secondary education and a vocational course in computers. This investment enhanced the **quality of his labor** and his total productivity, allowing him to get a job in a private firm and earn a promotion. Educated parents are often observed to invest more heavily in their child's education, health, and proper nutrition, creating a virtuous cycle.
- **Vilas (The Vicious Cycle):** Vilas could not go to school and suffered from arthritis because his mother could not afford medical care. He lacked education and health care in his early life. Like his mother, he continued selling fish, earning only a **meagre income** as an unskilled laborer. Uneducated and disadvantaged parents may create a vicious cycle, keeping their children in a similarly disadvantaged state.

3. Economic Activities and Sectors

The various activities performed by people are categorized into three economic sectors:

1. **Primary Sector:** Includes activities directly related to natural resources, such as agriculture, forestry, animal husbandry, fishing, mining, and quarrying.
2. **Secondary Sector:** Activities involving the transformation of raw materials, primarily manufacturing.
3. **Tertiary Sector:** Provides services, including trade, transport, communication, banking, education, health, tourism, and insurance.

These activities are termed **economic activities** because they result in the production of goods and services that **add value to the national income**.

- **Market Activities:** Involve remuneration (pay or profit) to the performer, covering the production of goods or services, including government service.
- **Non-Market Activities:** Involve production for self-consumption (e.g., consumption/processing of primary products and own account production of fixed assets). Notably, the household work done by women for the family is **not recognized in the National Income**.

4. Quality of Population: Education and Health

The future growth rate of a country is ultimately determined by the **quality of its population**, which depends on its literacy rate, health status (life expectancy), and skill formation.

A. Education

- Education is an important input for an individual's growth, developing new aspirations and values, and enhancing the efficiency of governance and cultural richness for society.
- Education in India focuses on providing universal access, retention, and quality in elementary education, with special emphasis on girls.
- Government planned outlay on education has increased significantly, with expenditure reaching around 3.1% of GDP in 2019–20.
- The overall literacy rate increased from 18% in 1951 to 85% in 2018. However, there is a wide difference in literacy rates between males (nearly 16.1% higher) and females, and between urban and rural areas (urban areas being 14.2% higher).

B. Health

- Health is an indispensable basis for realizing one's well-being and potential, as an unhealthy person cannot work efficiently to maximize their output.
- National health policy aims to improve the accessibility of healthcare, family welfare, and nutritional services, particularly focusing on the underprivileged segments of the population.
- Improvements in health indicators show that life expectancy increased to over **67.2 years in 2021** and the Infant Mortality Rate (IMR) declined dramatically from 147 in 1951 to 28 in 2020.

5. Unemployment

Unemployment is defined as the situation when people who are willing to work at the prevailing wages cannot find jobs. The workforce population includes people between 15 and 59 years of age.

A. Unemployment in Rural Areas

1. **Seasonal Unemployment:** Occurs when people cannot find work during certain months of the year, common among those dependent on agriculture, as there are busy seasons (like sowing and harvesting) and dull seasons.
2. **Disguised Unemployment:** Happens when people appear to be employed, usually in agricultural family plots, but their full utilization is not required for the work. If the extra people are removed, the production will not decline.

B. Unemployment in Urban Areas

- **Educated Unemployment:** This is a characteristic feature of urban areas where many youth with matriculation, graduation, and post-graduation degrees are unable to find jobs. This has resulted in a paradoxical situation where there is a surplus of manpower in certain fields alongside a shortage of technical skills needed for economic growth in others.

Consequences of Unemployment

Unemployment leads to the **wastage of manpower**, turning people who could be an asset for the economy into a liability. It causes a social waste, hopelessness, and despair among the youth, and increases the economic burden on the working population. If the unemployment rate increases, it indicates a **depressed economy**.

This chapter, **Economics Chapter 3: Poverty as a Challenge**, addresses the persistent and multi-dimensional problem of poverty in India, examining how it is measured, what causes it, and the strategies government uses to combat it.

1. The Nature of Poverty

Poverty is considered one of the biggest challenges facing independent India. It goes beyond just lack of income; it is a complex, multi-dimensional problem.

Key Dimensions of Poverty: Poverty is characterized by:

- **Hunger and lack of shelter.**
- A situation where sick people cannot afford treatment.
- Lack of clean water and sanitation facilities.
- Lack of a regular job with decent minimum wages.
- Living with a pervasive sense of **helplessness** and being subjected to ill-treatment in various environments like farms, factories, hospitals, and government offices.

The chapter illustrates this through cases like **Ram Saran** (an urban daily-wage laborer earning irregular income who cannot afford nutritious food or shoes for his children) and **Lakha Singh** (a rural landless laborer whose family often manages only two square meals a day and faces fatal illness due to lack of medication).

2. Analyzing Poverty: Social Scientists' View

Social scientists analyze poverty using indicators beyond just income or consumption, notably incorporating concepts of vulnerability and social exclusion.

A. The Poverty Line (Traditional Measure)

The **poverty line** is a common method used to measure poverty based on a given minimum level of income or consumption needed to satisfy basic needs (including food, clothing, fuel, educational, and medical needs).

- **Calorie Standard:** The formula for the poverty line traditionally relies on desired **calorie requirements**. The accepted average was **2400 calories per person per day in rural areas** and **2100 calories per person per day in urban areas**. The requirement is higher in rural areas because people there engage in more physical work.
- **Income Conversion:** The monetary expenditure needed to purchase these calorie requirements, along with other basic needs, is revised periodically to account for price rises and is considered the poverty line.

B. Modern Measurement: Multidimensional Poverty

The Government of India now complements the income-based measure using the **National Multidimensional Poverty Index (NMPI)**, which uses **12 developmental indicators** related to health, education, and standard of living.

C. Social Exclusion and Vulnerability

1. **Social Exclusion:** This is the process where poor people are excluded from benefits, facilities, and opportunities that the "better-offs" enjoy, often forcing them to live only in poor surroundings. In India, the **caste system** is a classic example where people of certain castes are excluded from equal opportunities, sometimes causing greater damage than low income alone.
2. **Vulnerability:** This describes the probability of certain communities (like Scheduled Castes or physically handicapped persons) becoming or remaining poor. Vulnerability is heightened by the greater risks these groups face (like natural disasters) and their inability to cope due to lack of assets, education, or job opportunities.

3. Poverty Trends in India and the World

A. Inter-State and Group Disparities

In India, the proportion of poor people is **not the same in every state**.

- States like Bihar (highest Head Count Ratio/HCR), Uttar Pradesh, Madhya Pradesh, and Rajasthan show high levels of poverty.
- States like Kerala (focusing on human resource development) and West Bengal (due to land reform measures) have seen significant poverty reduction.
- **Vulnerable Social Groups:** The groups most vulnerable to poverty are **Scheduled Caste (SC)** and **Scheduled Tribe (ST) households**, along with rural agricultural-labor households and urban casual-labor households. For example, 43 out of 100 people belonging to Scheduled Tribes were unable to meet their basic needs (2011-12 data).
- **The Poorest of the Poor:** Within poor families, certain members, such as **women, elderly people, and female infants**, suffer more and are often denied equal access to family resources.

B. Global Poverty

International organizations like the World Bank use a uniform poverty standard for comparison among developing countries, set at the equivalent of **\$2.15 per person per day**. Global extreme poverty has declined substantially, from 16.27% in 2010 to 9.05% in 2019. Poverty reduction has been notable in China, falling to 0.1% in 2020, and Southeast Asian countries, largely achieved through rapid economic growth and massive investments in human resource development.

4. Causes of Poverty in India

Poverty in India stems from historical, economic, and socio-cultural factors.

- **Colonial History:** The low level of economic development under British colonial rule led to the ruin of traditional handicrafts and discouraged industry development, leaving a legacy of limited growth.
- **Growth and Population:** The low growth rate until the 1980s, combined with a **high growth rate of population**, resulted in fewer job opportunities and low income growth.
- **Rural-Urban Shift:** Unable to find better jobs in cities, many people migrate to urban areas and work as domestic servants or rickshaw pullers, exacerbating urban poverty in slums.

- **Unequal Distribution of Resources:** Huge income inequalities persist, primarily due to the unequal distribution of land and other resources. Policies like land reforms aimed at redistributing assets have not been effectively implemented in most states.
- **Indebtedness:** Socio-cultural and religious obligations often force poor people to spend money they cannot afford, leading to increased borrowing and a high level of **indebtedness**, which is both a cause and effect of poverty.

5. Anti-Poverty Measures

The government's strategy for poverty removal rests on two pillars: **(i) promotion of economic growth** and **(ii) targeted anti-poverty programmes**.

- **Economic Growth:** Since the 1980s, India's accelerated economic growth has significantly reduced poverty, as growth creates opportunities and resources for investment in human development.
- **Targeted Programmes:** Specific schemes are essential to help the poor benefit from economic growth, especially since agricultural growth has often been below expectation. Noteworthy schemes include:
 - **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005:** Guarantees **100 days of wage employment** to every rural household to ensure livelihood security.
 - **Pradhan Mantri Poshan Shakti Abhiyan (PM Poshan):** Aims to improve the nutritional status and encourage school enrollment of poor children (Classes I to VIII).
 - Other schemes, such as the **Pradhan Mantri Surakshit Matritva Abhiyan (PMSMA)** (for maternal care) and the **Pradhan Mantri Ujjwala Yojana (PMUY)** (for clean cooking fuel), target health, nutrition, and welfare in disadvantaged groups.

6. The Challenge of Human Poverty

While income-based poverty has declined, the chapter concludes by urging a broader perspective of poverty, moving towards **human poverty**.

- Human poverty goes beyond mere income adequacy; it assesses whether people have access to education, healthcare, job security, shelter, and freedom from caste and gender discrimination.
- The National Multidimensional Poverty Index (NMPI) reflects India's commitment to address these multi-dimensional aspects, aligning with the **United Nations Sustainable Development Goals (SDGs)**, which aim to end poverty in all its forms by 2030.

This explanation covers Economics Chapter 4, "**Food Security in India**," which examines the comprehensive framework designed by the government to ensure that all citizens have access to adequate and nutritious food.

1. Defining Food Security

Food security means the **availability, accessibility, and affordability of food to all people at all times**. Achieving food security relies on three key dimensions:

1. **Availability of food:** This includes food production within the country, food imports, and the stock of food from previous years stored in government granaries.
2. **Accessibility of food:** This means that food must be within the reach of every person.
3. **Affordability of food:** This implies that an individual has sufficient money to buy safe, nutritious food adequate to meet their dietary needs.

A country achieves food security only when enough food is available for everyone, all persons have the capacity to purchase acceptable quality food, and there are **no barriers on access to food**.

2. Why Food Security is Necessary (The Impact of Calamities)

Food security is essential because the poorest section of society is usually food insecure, and even those above the poverty line can become insecure during national disasters or calamities like droughts, floods, or pandemics.

- **Impact of Calamity:** A natural calamity, such as a drought, reduces total food grain production, leading to a shortage and an increase in prices. At high prices, many people cannot afford food, leading to mass starvation.
- **The Famine of Bengal (1943):** The most devastating famine in India killed thirty lakh people in the province of Bengal. This was marked by widespread deaths due to starvation and subsequent epidemics caused by contaminated water. The worst affected were agricultural laborers, fishermen, transport workers, and other casual laborers who were unable to afford the dramatically increasing price of rice.
- **Vulnerable Groups and Hunger:** The worst affected groups in India are landless people, traditional artisans, petty self-employed workers, and destitutes in rural areas, as well as casual laborers in ill-paid, seasonal urban occupations. A high incidence of malnutrition prevails among women, including pregnant and nursing mothers, and children under the age of five.
- **Types of Hunger:** Hunger has two dimensions:
 - **Chronic Hunger:** A consequence of diets persistently inadequate in quantity and quality, often due to low income and the inability to buy food.
 - **Seasonal Hunger:** Related to the cycles of food growing and harvesting, prevalent in rural areas due to the seasonal nature of agricultural activities. For instance, agriculture laborers like Ramu remain unemployed and food insecure for about four months during the year.

3. The Indian Food Security System

Since Independence, Indian policymakers have focused on achieving **self-sufficiency in food grains**. The successful adoption of a new agricultural strategy led to the **Green Revolution**, which rapidly increased the production of wheat and rice. This production success has helped India avoid famine even during adverse weather conditions for the last 30 years.

The government ensures food availability through a carefully designed two-component food security system:

A. Buffer Stock

Buffer Stock is the stock of foodgrains (wheat and rice) procured by the government through the **Food Corporation of India (FCI)**.

- **Minimum Support Price (MSP):** The FCI buys surplus grains from farmers in producing states at a pre-announced price called the **Minimum Support Price**. This is done to incentivize farmers to raise production.
- **Purpose:** The procured foodgrains are stored in granaries to distribute them in **deficit areas** and among the poorer population strata at a price lower than the market price, known as the **Issue Price**. This system also helps solve food shortage problems during calamities.

B. Public Distribution System (PDS)

The PDS distributes the food procured by the FCI through government-regulated **ration shops** (also called Fair Price Shops).

- **Function:** These 5.5 lakh ration shops across the country sell essential items like food grains, sugar, and kerosene at prices lower than the market price to ration card holders.
- **Targeting:** The PDS has evolved over time. Initially universal, it became targeted (Targeted Public Distribution System or TPDS) in 1997, adopting a differential price policy for the poor and non-poor.
 - There are three kinds of ration cards: **Antyodaya cards** for the poorest of the poor, **BPL cards** for those below the poverty line, and **APL cards** for all others.
 - Special schemes like the **Antyodaya Anna Yojana (AAY)** (launched in 2000, expanded several times) targeted the "poorest among the BPL families".
- **Impact:** PDS has proven effective in **stabilizing prices** and making food available at affordable rates, thus averting widespread hunger and famine.

4. Challenges and Other Interventions

The system faces challenges related to inefficiencies and misuse:

- FCI godowns often face issues with overflowing stocks, resulting in wastage and deterioration of grain quality.
- High MSP has concentrated procurement in a few prosperous states (like Punjab and Haryana) and favored two crops (wheat and rice), inducing farmers to divert land from coarse grains, leading to environmental degradation such as the fall in water level.
- Ration shop dealers sometimes resort to malpractices like diverting grains to the open market, selling poor quality grains, or opening irregularly.

Role of Cooperatives

Cooperatives also play a vital role in food security by establishing shops that sell low-priced goods to poor people, particularly in the southern and western parts of the country. Notable examples include Mother Dairy in Delhi for milk and vegetables, and Amul in Gujarat for milk and milk products.

Legal Guarantee

The **National Food Security Act, 2013**, provides a legal foundation for food and nutritional security, identifying 75% of the rural population and 50% of the urban population as eligible for subsidized food.