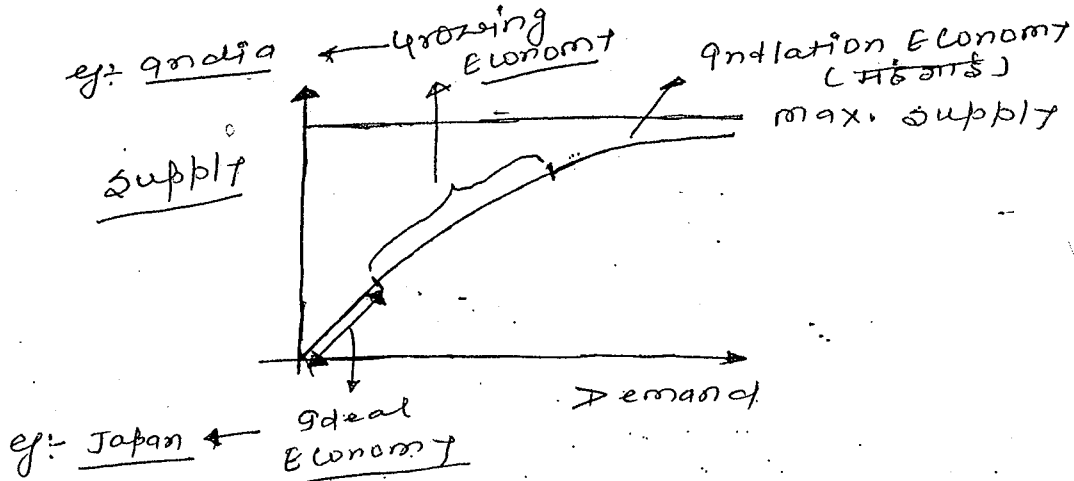


Demand & Supply :-

① More demand, Less supply \rightarrow Cost \uparrow

② Less demand, More supply \rightarrow Cost \downarrow

\rightarrow Demand & Supply are called as market forces



Topics :-

- ① Types of Economy / Nature of Economy
- ② Basic Terms
- ③ National income concept
- ④ Economic planning
- ⑤ Demography / population
- ⑥ Fiscal policy / monetary policy
- ⑦ Public finance & Banking
- ⑧ Miscellaneous [Agriculture, Poverty etc.]

Types/Nature of Economy

Types of Economy :-

2-types

① Close Economy :-

→ In a close economy, the economic transactions take place within a fixed boundary.

eg: China up to 1980



Note! In a close economy, the economic transactions take place within a fixed

Note! In a close economy export & import are restricted.

② Open Economy :-

→ In such type of economy there is no restriction on import & export.

eg: Ireland is 100% open economy.

Types of Economy on the basis of state control :-

→ On the basis of state control, there are 3-types of economy :-

(i) Capitalist economy → (पूजीवादी व्यवस्था)

(ii) Socialist economy → (समाजवादी व्यवस्था)

(iii) Mixed economy → (C+S)

① Capitalist economy :- (Free market economy)

Adam Smith (1776)

→ The concept of capitalist economy was given by "Adam Smith" in his book 'Wealth of Nations'. He gave the concept of market forces, in this he introduced the word 'Laissez faire' it means non-interference of the government in the production / Economy. It means there is an invisible force ② invisible hand i.e. protecting the market. The market maintain its eqb through demand & supply.

→ The capitalist economy system is also called as free market economy or private enterprise system. Because, what to produce & how much to produce depends on private enterprises.

Note: After American independence it adopted Adam Smith concept of free market economy also western Europe adopted free market economy.

[1929 → The Great Depression]

→ In 1929, there was an economy recession, this was the greatest recession of the century & also called as The Great Depression. In which 50% economy wealth of the world got wiped out. At this time drawbacks of capitalist economy became visible.

STATE ECONOMY

Karl Marx: Germany

→ The concept of state economy is based on the concept given by Karl Marx also called as Marxian Theory. Marxian theory was adopted by USSR (1917) (Russia). They adopted it in the form of socialism. In socialism state plays the main role in the means of production & state is the sole owner of all the resources. Later, the Marxian theory was also adopted in the form of communism. In communism, there is a common ownership of the means of production.

Note: ① Communism is the 1st step towards socialism.

② The concept of market socialism was given by Oscar Lange, which was later on adopted by China under Mao-Tse-Tung in 1985. This event was called as open door policy.

③ USSR (Russia), also adopted the concept of market socialism given by Oscar Lange.

④ Glasnost (openness)

⑤ Perestroika (Restructuring)

→ USSR gave the concept of Glasnost & perestroika.

Mixed-Economy :-

→ The concept of mixed economy was given by John Maynard Keynes & also called Keynesian Economy.
In his book "The General Theory of Employment, Interest & Money".

→ The mixed economy concept is based on state intervention upto an extent and free market economy for the major part of the economy activities. India adopted mixed economy after independence but, in 1991 India adopted free market economy more.

Note! In 1991 India adopted liberalised form of economy.

→ "Das Kapital" written a book by Karl Marx.

Question :-

Which of the following statement is true for public sector unit?

- (a) Most of the assets is owned by group of people.
- (b) Most of the assets is owned by individual.
- (c) Most of the assets is owned by Pvt. Companies.
- (d) Most of the assets is owned by govt.

Role of State :-

3-roles :-

- (1) State acts as a regulator.
- (2) Facilitator :-
 - of private goods.
eg: petrol, diesel etc.
Govt. provides goods / service on profit.
 - of public goods.
→ provides goods & services to health.
→ Motive is welfare & not profit
ex: free education, ration etc.

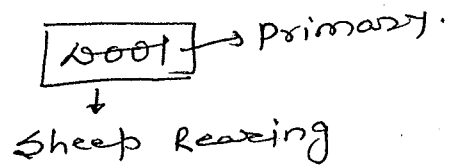
SECTORS OF ECONOMY :-

→ The economy is divided into 4 sectors :-

① Primary Sector :- This sector uses natural resources directly, it means there is a direct use of natural resources.

For ex :- → Agriculture

- Mining
- Fisheries
- Forestry

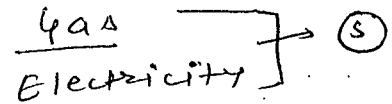


② Secondary Sector :-

→ In secondary sector product of primary sector is used as raw material.

ex :- → Manufacturing

- Clothing
- Building Const.



③ Tertiary Sector :-

→ In tertiary sector services such as Hotel, Banking, Teaching, IT services, maid services, driving services are considered.

eg :- Repairing of House (T)

④ Quaternary Sector :-

→ 4th sector of Economy

→ Also called as Knowledge Economy.

→ In quaternary sector knowledge is used to improve all other three sectors of economy. It improves the growth of all other sectors.

eg :- Training, Skill development, Artificial Intelligence & Machine Learning, Research & Development. etc.