

# Economics Class Notes for IAS and PCS

## Chapter no 5: Inflation

### Inflation

- Inflation – Increase (↑) Rate of general price.

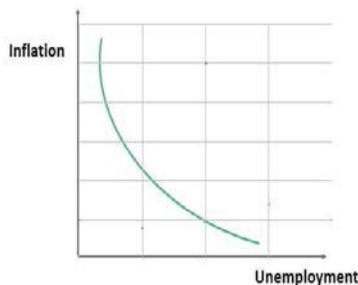
### CTGH

- Creeping Inflation (C) – Rate of general price, (↑) to 5% per year.
- Trotting Inflation (T)– 5 to 10%
- Galloping Inflation (G)– 10 to 20%
- Hyper Inflation (H)– 20 to 30%

- Deflation – when fall in level in General Price.
- Disinflation – Decrease Rate of Inflation

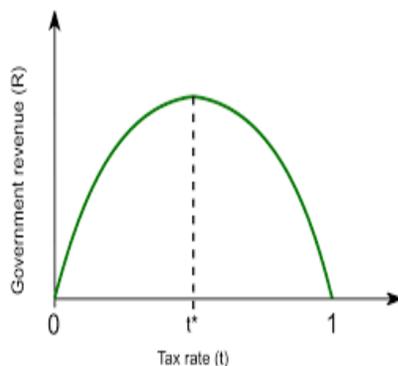
- Stag Inflation – Inflation + unemployment
- Skew Inflation – one particular part (↑) inflation
- Philips curve mean  $\text{Inflation} \propto \frac{1}{\text{unemployment}}$

### Phillips Curve



- Benett law (Protein inflation) –  $\text{Income} \propto \text{Inflation}$  

- Laffer curve show graph between tax revenue and tax rate





- WPI (Whole Price index) – measure, change in price of selection of goods at whole sale, prior retail sales thus exclude sale tax.
- WPI – Publishing by “Economic Advisor in Ministry of Commerce & Industry”.

#### **Type of Currency**

- $M0 = \text{Currency in circulation} + \text{Banker Deposit with RBI} + \text{other deposit with RBI}$
- $M1 = M0 + \text{Demand deposit of Bank (current \& saving)} + \text{other deposit of RBI}$
- $M2 = M1 + \text{Demand deposit of Post office}$
- $M3 = M2 + \text{Time Deposit of Bank}$
- $M4 = M3 + \text{All deposit with Post office saving bank}$

(M0 = Reserve Money, M1 = Narrow Money, M3 = Broad Money)

- Function of RBI – credit to government, Credit to Bank, Commercial at Bank, Banker of Bank, Foreign Money

#### **IMF:6 part of IMF**

- IBRD: International Bank of Reconstruction & Development – all Requirement
- IDA: International Development Authority – Infrastructure Development
- IFC: International Financial Corporation – Private organization
- MIGA: Multilateral Investing Guarantee Agency – Encourage investment in foreign
- BIPA: Bilateral Investment Promotion & Promoting Agency
- ICSID: International Centre for Settlement of Investment Dispute-for all dispute

- Government agmark lab – Nagpur
- 1st Hydro Power Plant installed in Darjeeling

#### **Revolution**

- Yellow Revolution related to – oil
- Evergreen Revolution related to – development of Agriculture
- White Revolution related to – Milk
- Red Revolution related to – Meat
- Silver Revolution related to – Cotton
- Gold Revolution related to – Jute
- Green Revolution related to – Food grains
- Black Revolution related to – Petrol
- Brown Revolution related to – Coco/ leather
- Pink Revolution related to – Onion/ Prom
- Round Revolution related to – Potato
- Grey Revolution related to – fertilizer
- Rainbow Revolution related to – Holistic Development of Agriculture
- Blue Revolution related to – Fish



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