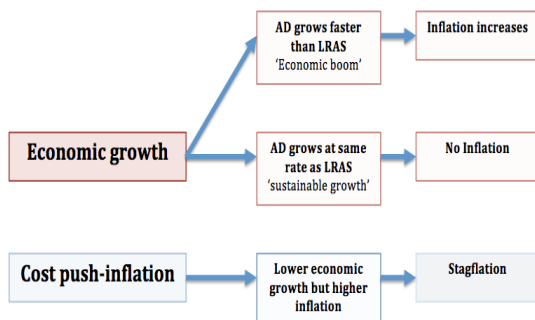


## Inflation vs Growth

- What is the relationship between inflation & economic growth?
- If economic growth is caused by aggregate demand (AD) increasing faster than productive capacity (LRAS) if economic growth is above the 'long-run trend rate' then economic growth is likely to cause inflation.
- If economic growth is caused by increased productivity (LRAS), then the growth can be sustainable and not cause inflation.
- With cost-push inflation, it is possible to get both negative economic growth and inflation at the same time (Stagflation).



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### Why can economic growth lead to inflation?

- If demand rises faster than firms can increase supply, firms will respond to the excess demand and supply constraints by putting up prices.

- In a period of rapid growth, firms will employ more workers and unemployment will fall. As unemployment falls, firms may find it harder to fill job vacancies; this shortage of labor will cause wages to rise.
- If wages rise, firm's costs increase and therefore firms pass these cost increases on to consumers.
- Also, with rising wages, workers have more disposable income to spend causing a further rise in aggregate demand (AD).
- With higher economic growth, people may start to expect inflation and this expectation of rising prices can become self-fulfilling.
- Therefore, rapid economic growth tends to cause upward pressure on prices and wages leading to a higher inflation rate.

## THE HINDU

### Rat hole mining

- A rat-hole mine involves digging of very small tunnels, usually only 3-4 feet deep, in which workers, more often children, enter and extract coal. Rat-hole mining is broad of two types side-cutting and box-cutting.
- Although the coal is of bad quality, people see it as a treasure-chest.

- In backward regions, where there is loss of livelihood, lack of employment opportunities and under-education, people see rat-hole mines as an opportunity to earn daily bread.
- People with power (also called as bahubali) employ poverty-ridden people to go into the rat-hole mines and dug out coal.
- A major portion of these employees are children, who are preferred because of their thin body shape and ease to access depths. This practice has become very popular in Meghalaya.



- Rat-hole mining is primarily practiced only in Meghalaya. Such cases are not witnessed in Jharkhand and Chhattisgarh because the coal seams are thick in Jharkhand and Chhattisgarh while in Meghalaya coal seams are very thin.
- So, economically it is not a good idea to do an open mining, and therefore, they prefer rat-hole mining.

- The National Green Tribunal (NGT) banned rat-hole mining in 2014 and retained the ban in 2015. The ban was on grounds of the practice being unscientific and unsafe for workers.
- The NGT order bans not only rat-hole mining but all “unscientific and illegal mining.
- Coal is stored near rivers because of shortage of space which leads to pollution around water bodies.
- The water in the Kopili River (flows through Meghalaya and Assam) has turned acidic.
- The entire roadsides in and around mining areas are for piling of coal.
- This is a major source of air, water, and soil pollution.
- Off road movement of trucks and other vehicles in the area causes further damage to the ecology of the area. Due to rat-hole mining, during rainy season, water gets flooded into the mining areas resulting in death of many workers due to suffocation and hunger.

## **THE HINDU**

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### **Monetary policies**

- Monetary policy increases liquidity to create economic growth.
- It reduces liquidity to prevent inflation. Central banks use interest

rates, bank reserve requirements, and the number of government bonds that banks must hold.

- All these tools affect how much banks can lend. The volume of loans affects the money supply.
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## **THE HINDU**

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### **Ocean diversity pact**

- A delegation from India and other member countries of the United Nations are in New York to deliberate on a one-of-its-kind agreement to conserve marine biodiversity in the high seas, namely the oceans that extend beyond countries' territorial waters.
- The agreement follows a resolution by the UN General Assembly in May and is expected to be the final in a series set in motion since 2018 to draft an international legally binding instrument under the 1982 United Nations Convention on the Law of the Sea (UNCLOS).
- A key aspect of the agreement is deciding on the rights of companies that undertake exploration for biological resources on the high seas.
- Do companies have absolute rights on any discovery or extraction in

these regions or should they share their gains, in terms of intellectual property and royalties with an UN-prescribed body.

- Typically, the focus of mining activity in the sea has been for gas hydrates, precious metals and other fossil fuel resources.
- However, with advances in biotechnology and genetic engineering, several companies see potential in exotic microbes and other organisms several of them undiscovered that abide in the deep ocean and could be used for drugs and vaccines.
- Last June, the Union Cabinet approved a 'Blue Economy' policy for India, a nearly ₹4,000-crore program spread over five years.
- This among other things will develop a manned submersible vessel as well as work on "bio-prospecting of deep-sea flora and fauna including microbes.
- Free midday meals (now extended to free breakfast) have encouraged socially backward parents to send their wards to school at least for the meals, resulting in keeping the evil of child labor under control and, more importantly, imparting education.
- Introduction of free colour television in villages as it has resulted in a decrease in domestic violence and also enabled women's empowerment (women, who are largely indoors due to customary practices/household duties, have been able to connect with the outside world through visual media).
- It has ensured self-respect, as women and children are able to watch TV in their houses rather than visit the homes of those who are rich and own TV set.
- In *S. Subramaniam Balaji vs State of Tamilnadu* (2013 9 SCC 659) while dismissing the challenge to the much discussed free gifts schemes (colour television, mixer grinder, laptops) of the T.N. government, the Court observed that the distribution of gifts relates to implementation of directive principles of state policy.
- Social welfare measures (freebies) may differ from State to State or region to region.
- For example, in the desert regions of Rajasthan it could be free drinking

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### Freebies vs welfare schemes

- The World Inequality Report 2022 says that the top 1% of India held 22% of the total national income as of 2021, and the top 10% owned 57% of the income

water, in Kerala, it could be fiscal incentives to encourage corporates/entrepreneurs to boost industrial growth, and in T.N., educational/marriage assistance and a free bus pass to help girl empowerment.

- By recommending a central committee, the Supreme Court seems to have considered India to be a single administrative unit facing the same set of issues without due consideration of socio-economic diversity.
- This step would not only be counter productive to the economic freedom of the States but also to the 'Idea of India' as a 'Union of States' as highlighted in Article 1 of the Constitution of India.

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