

## ECONOMY

PRE-CONTEXT

### INFLATION

THE HINDU, PG.NO: 1 & 8.

**News:** "Growth push: RBI cuts rate by 0.25%."

**News:** "Growth over inflation."

**News:** "Budget's focus on vegetables, fruits and pulses is a positive for inflation: RBI Governor."

#### About Monetary Policy Committee:

- **Type:** *Statutory body* under **RBI Act 1934**. (Established in 2016).
- **Urjit Patel committee** recommended the formation of MPC.
- **Constituted by:** Central Govt. where 3 members from RBI and 3 nominated by government (nominee must not be a government official).
- **Responsibilities & Functions of MPC under RBI Act 1934:**
  - Entrusted with the responsibility of **deciding the different policy rates**, including **MSF, Repo Rate (RR), Reverse Repo Rate (RRR), LAF** etc.
  - To **ensure price stability** with sustainable growth.
  - **Inflation targeting @ 4% with 2% buffer.**
  - Required to **meet at least four times in a year.**
  - **Decisions are taken by majority**, Governor has a casting vote in case of tie.
  - **RBI must publish half-early MPC report** explaining sources of inflation, forecast of 18 months ahead.
  - In case of failure, it should submit **report to Central Govt.**
- **Instruments of MPC:**
  - **LAF, MSF, MSS, OMO (RR & RRR), CRR, SLR, Bank Rate.**
- **Failure of MPC:** when average inflation is higher or lower than the desired limit for 3 consecutive quarters.

#### Inflation:

- **A rise in general level of prices.**
  - **Note:** If the price of one good has gone up, it is not inflation.
- **Inflation** =  $\frac{\text{current period price index} - \text{last period price index}}{\text{last period price index}} \times 100$ .

#### Measuring Inflation:

- **Consumer Price Index (CPI):**
  - Also called **Retail Inflation**.
  - CPI **measures the average change in prices of fixed basket of goods and services** that households purchase for purpose of consumption.
  - Used for **inflation targeting and micro-level policy making.**
  - **Current base year** for CPI calculation is **2011-12**.
  - **Weights (High to Low):** Food and Beverages, Services, Fuel and Light etc.
  - **CPI is released by CSO** under Ministry of Statistics and Program Implementation.
- **Wholesale Price Index (WPI):**
  - Measures inflation at wholesale level, used for **macro level policy making.**
  - **Current base year** for WPI calculation is **2011-12**.
  - **Weights (High to Low):** Manufactured goods, WPI food, Primary Articles, Fuel and Power.
  - WPI serves as an important determinant in policy formulation of trade, economical and fiscal policies of Govt.
  - **WPI index data is published by Office of Economic Advisor** under **Ministry of Commerce and Industry.**

#### Core inflation:

- Some goods & services are either included or excluded during calculation of core inflation.
- It **excludes food, fuel & light, transport & communication.**

#### Base Effect:

- Nothing to do with base year.
- **Shows the impact of the rise in price level in the previous year over the current year.**
- **Formula:**  $\frac{\text{Current inflation rate} = \frac{\text{Current Price Index} - \text{Last year price index}}{\text{last year price index}} \times 100$ .

#### GDP Deflator:

- Measures GDP at **current prices** to that of the constant prices.
- Provides **comprehensive view** compared to inflation indicators.
- **Phillips Curve:** shows relationship between Inflation & unemployment.

#### Economic Survey 2024-25 on Inflation

- **Retail headline inflation** has **softened to 5% from 5.4%** in April – December 2024
- **Food inflation**, measured by the **Consumer Food Price Index (CFPI)**, has increased from 7.5% in FY24 to **8.4% in FY25** (April-December), **primarily driven by vegetables and pulses.**
- India's consumer price inflation will gradually align with the target of around 4 per cent in FY26 as per RBI and IMF.

#### Agriculture Budget: Focuses to keep Food inflation Low

**Context:** vegetables and fruits, which contribute 6% and 3% to the CPI, respectively. Pulses also played a major role in recent inflation rise.

- The central government will launch a six-year mission to achieve **self-reliance in pulses.**
- Central agencies (NAFED and NCCF) will **procure three pulses (Tur, Urad and Masoor), as much as offered, from farmers over the next four years.**
- **Prime Minister Dhan-Dhaanya Krishi Yojana** will be implemented to **improve productivity and crop diversification in 100 low-productivity districts.**

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## POLITY

PRE-CONTEXT

### GOVERNOR AND STATE BILLS

THE HINDU, PG.NO: 10.

**News:** "Did T.N. Governor refer 10 Bills to President to avoid assent, asks SC."

#### Governor & Ordinary Bills of State:

##### • Four Alternatives under Art. 200:

1. Governor may give his **assent** to the bill.
2. Governor may **withhold** his assent to the bill, the bill then ends.
3. Governor may **return** a bill for reconsideration of the Houses.
4. He may **reserve** the bill for the consideration of the **President**.

##### • Under Article 200, if the Governor chooses to with hold assent to a Bill:

- Governor has to **return it as soon as possible** to the House with a "message" to reconsider the proposed law or specified provisions or suggest amendments.
- **If the House reiterates the Bill** and presents it to the Governor, the **"Governor shall not withhold assent"**.
- He only enjoys **'suspensive veto'**.

#### Case of Money Bill of State:

##### • When Money bill is passed by the State Legislature, is presented to the governor for assent. **Governor has three alternatives:**

- Governor may **give** his assent to the bill.
- Governor may **withhold** his assent to the bill.
- Governor may **reserve** a bill for the consideration of the president.

##### • Governor **cannot return a money bill** for the reconsideration of the state legislature.

##### • **If Governor reserves a money bill** for the consideration of the President, **Governor will not have any further role** in the enactment of the bill.

##### • **Governor can also reserve bill if it is:**

- Against provisions of the Constitution.
- Opposed to the DPSP.
- Against the larger interest of the country.
- Of grave national importance.
- Compulsory acquisition of property.

#### Recent developments:

- In 2023, Supreme Court has laid down the law that a Governor, in case Governor withholds assent, should send back a Bill forwarded to him by a State Legislature **"as soon as possible"** with a message to reconsider the proposed law.
- In case the **State Assembly reiterates the Bill** 'with or without amendments', the **Governor has no choice or discretion**, and **has to give assent to it**.

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## POLITY

PRE-CONTEXT

### PUBLIC & PRIVATE BILLS

THE HINDU, PG.NO: 10.

**News:** "Private Bills seek sitting of Parliament for 100 days a year."

#### Public Bill:

- **Introduced by Minister** in Parliament.
- Introduction requires **7 days notice**.
- Drafted by **concerned Department**.
- If the house rejects the public bill, it could mean the government doesn't have the support of the parliament, and they **might have to prove the confidence in house**.

#### Private Bill:

- Introduced by **any member** of parliament other than a Minister.
- Introduction requires **1 month notice**.
- **Drafted by concerned Member**.
- Private bill rejection by house has **no implications on government**.
- **Only 14 private bills have become laws, the last one in 1970**.

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## SCIENCE

PRE-CONTEXT

### BIO-TECH

THE HINDU, PG.NO: 12.

**News:** "Centre holds consultation with States on setting up bio-manufacturing facilities."

#### About BioE3:

- Recently, Cabinet cleared a proposal called BioE3 or **Biotechnology for Economy, Environment and Employment**.
- **There are Six verticals that this initiative envisage:**
  - Bio-based chemicals and enzymes.
  - Functional foods and smart proteins.
  - Precision bio-therapeutics.
  - Climate-resilient agriculture.
  - Carbon capture.
  - Futuristic marine and space research.

#### Recent Developments:

##### ISRO & Dept. of Biotechnology collaboration under BioE3:

- How **weightlessness** can influence muscle loss on those in space.
- What kind of **algae may be suitable as nutrients** or to preserve food for longer.
- how some **algae may be processed to make jet fuel**.
- **Impact of radiation on the health** of those aboard space stations.

##### Centre holds consultation with States on setting up biomufacturing facilities.

- Bio-manufacturing refers to the industrial manufacture of 6 verticals mentioned under BioE3 Policy.

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