

INDIAN ECONOMY IN CIVILS

ECONOMY – I

- In this series of articles, let's discuss the various aspects of Indian Economy chapter by chapter. The first chapter will concentrate on the World economic history and Indian economic history. Each chapter will come as a series of articles.

CHAPTER 1

WORLD AND INDIAN ECONOMIC HISTORY:

World Economic History:

- Evolution of humans and economics has always been contemporary through the history. Humans being thinking animals, due to highest brain to body ratio among all the species, have always done things and achieved milestones in a very smart and intelligent way. If animals used their superior physical capabilities to hunt and eat, humans with their limited and constrained physical capabilities yet strong thinking power developed tools to do the same, thousands of years ago.

- Hunting is the practice of killing or trapping animals, or pursuing or tracking them with the intent of doing so. Hunting wildlife or feral animals is most commonly done by humans for food, recreation, to remove predators that are dangerous to humans or domestic animals, or for trade.

- A gatherer is someone who collects or gathers a particular thing.

- hunter-gatherer is a member of a culture in which food is obtained by hunting, fishing, and foraging rather than by agriculture or animal husbandry.

The Hunter-Gatherer:

- As a hunter-gatherer, humans in the very early days, used to pluck low hanging fruits or kill small animals to consume them. As this was not sufficient and as humans knew their limitations, they worked towards overcoming them by making instruments or weapons or machines etc. and continue to do them even today.

- When the earliest hunters could no longer hunt with their bare hands, they made weapons like chiseled stone, to hit the animal on its head to kill it. Later as time progressed, improvisation led them to make sharper weapons so that the animal could be easily killed and therefore made stone axes.

- Spears, with sharp edges and a long throw, could kill an animal from a distance even before it could attack the humans. The bow and arrow, was the heights of technological innovation a few thousands of years ago, as this weapon helped the hunter to shoot at a fast moving animal precisely from a distance and kill it.

- These weapons were also used to gather food from big trees and in deep waters. Due to these innovations over the millennia, humans became master hunter/gatherer and gradually climbed to the top of the food chain/food pyramid.

- Due to these technological innovations, humans could hunt or gather food

at their time and convenience instead of going out to hunt only when hunger demands, like in the case of animals. Being placed on the top of the ladder, humans started to live in communities and started being a social animal.

- Small habitations with multiple resources nearby became a common feature around the world. Among these communities, some were chosen to hunt, some for gathering food, a few to protect the children when the adults went out, etc.

- All these led to an era when early humans started to organize themselves into groups and divide work. The concept of work division can be looked at as the first and foremost attempts made to think in an economic outlook. With the expansion of communities into habitations and then into villages, there was a need to hunt and gather more food.

Barter system:

- As a consequence the next stage of development was on the anvil, when communication and exchange of goods started between different settlements or villages which were geographically separated. People started to give and take goods from one another across settlements, what could be called the barter system.

- The barter system induced a healthy competition among different settlements and this in turn helped different settlements to specialize in particular areas of production. For example a particular community was good at raising cattle while another was good at cultivation. These two exchanged goods between them, bringing in the concept of trade.

Production of surplus for trade made settlements bigger and led to the rise of city states and civilizations. Indus valley, Sumerian and Chinese can be a few examples in this process.

- What is noteworthy to analyze here is that, all these civilizations have come on river plains and on the sea mouths. Rich fertile soils on the river banks made agriculture a sound economic activity and the surplus thus produced could be traded through the sea routes to far off places. Indus valley civilization's trade with the middle-east is a classic example to prove this point.

- It is also pertinent to note here that as trading between different places started, it was no longer practically possible to carry on with the barter system. Safety, difficulty in carrying the goods let's say cows to the market every time was time consuming and also caused damage to the products like rice and wheat.

Agricultural Revolution:

- This need for more led to the thought of growing food rather than finding food. Humans wanted to have food all through the year spanning seasons and not depend on the nature to provide food. The result was Agriculture. The Agricultural Revolution, occurring roughly about 10,000 years ago, is the transformation of human societies from hunting-gathering to farming.

- Farming and the raising of livestock tied people to land for cultivation and grazing grounds, and this transition gave rise to more and bigger permanent settlements. For most part of human history before this point, the dominant

structure of human life had been small nomadic bands, and from now on, most humans would live in fixed locations that ranged from villages to cities.

- This settlement, in turn, led to the development of job specialization, complex political structures, non-portable possessions, architecture, and later led to the rise of industry and commerce. As agriculture prospered, human settlements also became bigger and their requirements started to increase manifold.

Coins:

- Therefore the next stage in economic evolution is said to have taken place when, value for goods and commodities had begun to be assigned. Precious stones and metals were used for this purpose, the era of coinage began. Gold, silver and copper coins came into wide circulation across different civilizations. The availability of Roman gold coins all across Indian western coastline is a pointer to these events.

- Goods were now sold rather than getting exchanged, and the value for these goods were determined not by any central authority but simply based on demand and supply parameters. The civilizations/economies that produced agricultural surplus also traded a lot and had massive economies, like for example, Indian and Chinese.

- As we can clearly see in the picture, it has been India which was the leading economy in Year 1. India and China were home to one-third and one-quarter of the world's population, respectively and they also commanded one-third and one-quarter of the world's economy, respectively.

- Another interesting fact that needs to be read from the above graphical representation is that, these two economies dominated the world GDP for thousands of years till about 1800 AD. After 1800 AD, the share of these two big powers reduced dramatically due to the rise of European powers on the back of what is now called Industrial Revolution.

Paper currency:

- In the meanwhile, the coinage system gave way to currency system across the world slowly as the disadvantages with the earlier system were far outweighing the advantages. Coins were risky to carry, were bulky and as times progressed the cost of minting and making precious coins was becoming more than the value of the coin itself. Paper currency corrected all these discrepancies and made it the new means of trade across the globe.

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