

The Hindu Important News Articles & Editorial For UPSC CSE
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The Model Code of Conduct (MCC) serves as the primary instrument for maintaining a level playing field during Indian elections. A recent debate has emerged regarding the Prime Minister's April 18 broadcast, carried live on state-run media (Doordarshan, Sansad TV, and All India Radio), which included criticism of opposition parties. This analysis examines the intersection of executive power, media usage, and electoral law.

Did the PM's broadcast violate MCC?

What does Part VII say about using public resources? How does election law treat such appeals? Can public broadcasters be used for campaign messaging? Why has the Election Commission not acted so far?

EXPLAINER

V. Venkatesan

The story so far:

The Model Code of Conduct (MCC), which guides political parties and candidates during elections, was first drafted by the Kerala government in 1960. The Election Commission (EC) formalised it in 1968, revised it in 1974, and added Part VII on the "party in power" in 1979. Former Chief Election Commissioner T.N. Seshan enforced it with unprecedented rigour from 1991. Prime Minister Narendra Modi's April 18 address has raised questions about whether the address violated the Code.

How did the Model Code of Conduct evolve?

The Supreme Court, in *Mohinder Singh Gill v. Chief Election Commissioner* (1978), described Article 324 as "a reservoir of power" that allows the EC to act where Parliament has not legislated. The Punjab and Haryana High Court, in *Harbans Singh Jalal v. Union of India* (1997), held that the Code comes into effect from the announcement of the election schedule. Sanctions range from censure to the suspension of party recognition under paragraph 16A of the Election Symbols Order, 1968.

Mr. Modi's address was carried live on Doordarshan, Sansad TV, and All India Radio. He named four Opposition parties and urged women voters in Tamil Nadu and West Bengal to punish them at the polls on April 23 for defeating the 131st Constitution Amendment Bill in the Lok Sabha.

Does the Prime Minister's broadcast violate the Code?

Clauses 1(a), 1(b), and 4 of Part VII of the MCC prohibit the party in power from



Prime Minister's address was carried live on Doordarshan, Sansad TV, and All India Radio. PTI

combining official visits with electioneering, using government machinery for campaign work, and misusing publicly funded mass media for partisan coverage during the election period. The broadcast raises distinct questions under both the Code and the Representation of the People Act, 1951.

The Code asks what the incumbent did with public resources. It does not provide a closed list of impermissible appeals; that open texture is deliberate. On its face, the April 18 address appears to be a textbook Part VII matter. At the time of writing, the Commission has taken no action on the complaints it has received.

The statute is less flexible than the Code. Section 123(3) of the Representation of the People Act, 1951, as amended in 1961, makes it a corrupt practice for a candidate or his agent to appeal to voters on the ground of "his" religion, race, caste, community, or language. The provision turns on a pronoun, "his", and five enumerated nouns. In *Abhiram Singh v. C.D. Commachen* (2017), a seven-judge

Bench of the Supreme Court settled, by a 4:3 majority, that "his" extends to the voter as well as the candidate.

What do the law and the courts say about such appeals?

However, Abhiram Singh grappled with the pronoun, not with the nouns. The 1961 Parliament was legislating against the sectarian appeals of its moment, when religion, race, caste, community, and language were the dominant axes of Indian politics. Section 123(3) was not drafted to police every form of partisan appeal.

The April 18 broadcast ran on different axes: gender as a mobilising category, party affiliation as a target, and the Prime Minister's national broadcast on Doordarshan as the medium. The objection here is not to the identity of the audience, but to the partisan use of publicly funded media. The statute's five nouns were never meant to catch that.

A writ petition pending before the Supreme Court (Diary No. 24600 of

2026), filed by former Congress MP T.N. Prathapan, and a candidate in the just-concluded Assembly elections in Kerala, opens a different statutory route. It invokes Section 123(7), not Section 123(3). Section 123(7) makes it a corrupt practice to obtain or procure the assistance of government servants, including gazetted officers, for the furtherance of a candidate's electoral prospects. The sub-section was drafted to deter candidates from pressuring police and revenue officials into electioneering; the petition asks whether its reach extends to public broadcasters and the PMO.

The petition argues that the use of Doordarshan and Sansad TV, along with Prime Minister's Office personnel, to prepare and disseminate a partisan broadcast falls within this prohibition. Where Section 123(3) focuses on the grounds of an appeal, Section 123(7) turns on who was pressed into service to deliver it.

On that reading, the statute reaches April 18 not through its five nouns but through its workforce clause.

This returns the conversation to the Code. The MCC, unlike the statute, was written to be open-textured. Part VII asks what the party in power did with public resources; the statute asks which of five categories the appeal invoked, or whose assistance it procured. The statute sets a floor on corrupt practice, not a ceiling on what the Code can reach.

The Commission's silence on Mr. Modi's broadcast is not a doctrinal difficulty. It is a choice not to use the one instrument in Indian electoral regulation that was kept open precisely for settings where the statute may reach only belatedly, if at all. If the court admits the petition and the Commission is compelled to answer, the architecture of MCC enforcement may face its hardest test yet. (V. Venkatesan is a journalist and legal researcher)

THE GIST

The April 18 broadcast appears to be a textbook Part VII issue, raising questions about the partisan use of State-funded mass media and the use of public resources during the election period, but the Commission has taken no action so far.

While Section 123(3) does not cover such appeals, the petition invokes Section 123(7) on the assistance of government servants, bringing the issue back to the open-textured MCC, which the Commission has chosen not to use.



Does the Broadcast Violate the MCC?

The broadcast raises significant questions regarding the "open texture" of the MCC. While the Code does not provide a closed list of every impermissible action, it is designed to be flexible to address emerging scenarios.

- Part VII Application:** The address appears to align with a classic interpretation of Part VII of the MCC, which focuses on the conduct of the "party in power."

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- **The Contentious Element:** The primary concern is not the identity of the audience, but the **partisan use of publicly funded media**. By naming opposition parties and urging voters to "punish" them, the broadcast arguably veered into electioneering using state machinery, which the Code seeks to prevent.

Part VII and the Use of Public Resources

Part VII was added to the MCC in 1979 to specifically govern the "party in power." Its core provisions include:

- **Prohibition of Misuse:** It restricts the party in power from using government machinery or publicly funded mass media for partisan coverage during the election period.
- **Separation of Roles:** It forbids combining official visits with electioneering.
- **Purpose:** The intent is to ensure that the incumbent government does not utilize the state's resources—which belong to all citizens—to gain an unfair electoral advantage over the opposition.

Legal Treatment: RPA 1951 vs. The MCC

While the MCC is a set of norms, the **Representation of the People Act (RPA), 1951** is statutory law. Legal analysts distinguish between two specific sections of the RPA in this context:

Provision	Focus	Relevance to the Broadcast
Section 123(3)	Corrupt practice based on religion, race, caste, community, or language.	Limited: This section targets sectarian appeals. The broadcast utilized gender and partisan political affiliation, which do not fall strictly under these five categories.
Section 123(7)	Corrupt practice involving the procurement of assistance from government servants (including gazetted officers) for electoral prospects.	High: A current Supreme Court petition (Diary No. 24600 of 2026) invokes this. It argues that using Doordarshan, Sansad TV, and PMO personnel for a partisan broadcast constitutes using government machinery for electoral gain.

Can Public Broadcasters be used for Campaign Messaging?

Legally and ethically, **no**. Public broadcasters are funded by public exchequer and are mandated to be neutral. Using them for electioneering violates the spirit of the MCC's provisions against the misuse of government machinery. The constitutional validity of using state-owned media for partisan campaigning is inherently weak, as it erodes the distinction between the "State" and the "Party in power."

Why has the Election Commission not acted?

The silence of the Election Commission of India (ECI) is not a result of a legal vacuum or a lack of power; it is an **institutional choice**.

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Daily News Analysis

- **Discretionary Power:** The ECI possesses significant authority under Article 324 of the Constitution (as affirmed in Mohinder Singh Gill v. Chief Election Commissioner).
- **The "Open Texture" Argument:** The MCC was intentionally drafted with an open structure to allow the ECI to act in situations where the statute (RPA) might be too slow or narrow. By not acting, the ECI is choosing not to exercise its oversight authority in this specific instance.

Conclusion

The controversy underscores the tension between the executive's right to communicate and the need for electoral neutrality. While the RPA 1951 may require specific legislative triggers to prove a "corrupt practice," the MCC provides the ECI with the breadth to act on matters concerning the misuse of public resources.

If the Supreme Court admits the pending petition regarding Section 123(7), it may force a judicial clarification on whether the administrative staff of public broadcasters can be held accountable for facilitating partisan political messaging, potentially setting a new precedent for the enforcement of the MCC.

UPSC Prelims Exam Practice Question

Ques:With reference to the Model Code of Conduct (MCC), consider the following statements:

- 1.The MCC is a statutory code enacted under the Representation of the People Act, 1951.
- 2.It comes into force immediately after the announcement of the election schedule.
- 3.It applies to both ruling and opposition parties equally.

Which of the statements given above is/are correct?

- (a) 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: b)

UPSC Mains Exam Practice Question

Ques: "The Model Code of Conduct is a moral instrument rather than a legal one."Examine its effectiveness in ensuring free and fair elections.(150 Words)

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The Allahabad High Court's recent intervention (April 2026) regarding the rejection of land claims by the Tharu community in Lakhimpur, Uttar Pradesh, marks a significant judicial clarification on the hierarchy of laws in India. By quashing a District Level Committee (DLC) order that relied on an outdated 2000 Supreme Court directive, the High Court has reinforced the "later law" doctrine, clarifying that the Forest Rights Act (FRA), 2006, acts as a primary legislative instrument that overrides inconsistent legacy laws and judicial interpretations.

What does the latest ruling mean for Forest Rights Act?

Why did the court intervene in the DLC's decision? What does the law say about eviction and grazing rights?

C.R. Bijoy

The story so far:

On April 20, the Lucknow Bench of the Allahabad High Court reminded the District Level Committee (DLC) under the Forest Rights Act 2006 in Lakhimpur, Uttar Pradesh, that any previous court orders inconsistent with a later law are null and void.

Why is the order important?

The High Court struck down the DLC's decision in March 2021, rejecting the forest rights claims of the Tharus of Palia Kalan Tehsil, a tribal community, citing a Supreme Court interim order in 2000 that barred "de-reservation of forests/sanctuaries/national parks" until further orders.

The DLC is headed by the District Collector and includes the Divisional Forest Officer, the District Tribal Welfare Officer, and three district panchayat members.

The core legal principle in lawmaking is that all provisions in earlier laws and

court orders that are inconsistent with the provisions of a later law are null and void. The Forest Rights Act (FRA) 2006 itself also states that forest rights are recognised and vested in forest dwellers "notwithstanding anything contained in any other law for the time being in force and subject to the provisions of this Act". The DLC violated this provision, which is a punishable offence.

Has the DLC been punished?

While the order has thus brought relief across the country, the High Court did not invoke the mechanism the FRA provides to sanction offenders. The Gram Sabha is a statutory authority under the FRA. It has to issue 60 days' notice to the State-Level Monitoring Committee to proceed against the authority violating the law.

However, the High Court ignored this provision and instead asked the DLC itself to reconsider its offence and make its decision anew in line with existing law and court orders.

The FRA does not provide for such allowances.

How has the FRA been superseded?

FRA disallows the eviction or removal of forest dwellers "from forest land under their occupation till the recognition and verification procedure is complete". For example, in January 2026, the Uttarakhand High Court ordered the forest department that "till final adjudication of the claims, the respondents shall refrain from initiating any coercive action, including eviction of the petitioners or interference with their peaceful possession and agricultural activities on the lands under their occupation".

However, there has been repeated disregard for and violations of the FRA. For instance, in September 2014, the Madras High Court had dismissed the plea of petitioners from Asaripallam, in Theni district, challenging eviction notices they had been issued and to consider their claims under the FRA. This was based on the forest officer's submission that they were encroachers and weren't eligible for rights under the FRA.

The Madras High Court stated that the claim process under the FRA would only

waste the authorities' time and dismissed the case.

The same High Court has dismissed similar petitions under the FRA by petitioners from Perambalur in 2017, Tuticorin in 2020, Sivagangai in 2021, and Theni in 2022. Authorities also continue to issue eviction orders under the Tamil Nadu Forest Act (TNFA) 1882, despite such orders having been overridden by the FRA.

Does the FRA allow grazing?

On March 13 this year, the Madurai Bench of the Madras High Court dismissed a review petition of the March 2022 order, noting that "the provisions prohibiting cattle trespass into forests under Section 57 of the Tamil Nadu Forest Act", to protect wildlife and the spread of disease, were the valid legal basis for the ban.

The High Court had initially banned grazing in all forest areas of Tamil Nadu; later the same month, it restricted the ban order to tiger reserves, national parks, and wildlife sanctuaries. However, it made no reference to the FRA, which recognises grazing rights in all forests, including those overlapping with tiger reserves, national parks, and wildlife sanctuaries. FRA is also a central law and thus overrides a State law with regard to both prohibition and permission for grazing.

This is why the Allahabad High Court reaffirming that provisions in the later law override inconsistent provisions in previous ones, as well as in court orders, comes as a breath of fresh air.

(C.R. Bijoy examines natural resource conflicts and governance issues)

THE GIST

The High Court reaffirmed that provisions in a later law override inconsistent earlier court orders, striking down the DLC's rejection of the Tharus' forest rights claims.

The ruling highlights repeated disregard of the Forest Rights Act, including eviction orders and denial of grazing rights, despite the law recognising and protecting these rights.



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Significance of the Ruling

The judgment is a critical corrective measure against the "mechanical" application of administrative law.

- **The Doctrine of Lex Posterior:** The court reaffirmed that when a later, special legislation (the FRA, 2006) is enacted to address specific historical injustices, it supersedes previous laws (such as the Indian Forest Act, 1927, or state-specific forest acts) and older court orders that are inconsistent with its provisions.
- **Checks on Executive Discretion:** By striking down the DLC's decision, the court emphasized that administrative bodies cannot use pre-2006 judicial interim orders as a shield to deny statutory rights mandated by the Parliament in 2006.

Why the Court Intervened in the DLC's Decision

The intervention was necessitated by a failure of legal interpretation at the district level.

- **Misplaced Reliance:** The DLC had rejected the Tharu community's claims by citing an interim Supreme Court order from 2000 that barred "de-reservation of forests."

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- **Legislative Intent:** The High Court noted that the DLC failed to engage with the **non-obstante clause** of the FRA (Section 4). This clause explicitly states that the Act applies "notwithstanding anything contained in any other law for the time being in force."
- **Procedural Lapses:** The court observed that the DLC effectively bypassed the legislative intent of the FRA by treating the 2000 judicial order as an absolute bar, failing to conduct the rigorous, case-by-case examination required by the 2006 Act.

The Law on Eviction and Grazing Rights

The FRA provides explicit protections for forest-dwelling communities that supersede conflicting state-level mandates.

Issue	Legal Position under FRA, 2006	Implications
Eviction	Section 4(5) prohibits the eviction or removal of forest dwellers until the recognition and verification procedure is complete.	This provides a vital "safety net" against summary evictions often carried out by forest departments under older state laws.
Grazing	Section 3(1)(d) recognizes grazing (both settled and transhumant) as a fundamental community forest right.	This overrides state-level prohibitions (such as those under the Tamil Nadu Forest Act) that attempt to criminalize cattle trespass, confirming that grazing is a legal right, not an encroachment.

Conclusion

The Allahabad High Court's intervention serves as a necessary reminder that the Forest Rights Act is not merely a policy guideline but a **statutory mandate** designed to remedy historical injustice. However, the ruling also highlights a systemic challenge: the recurring tendency of local authorities to prioritize colonial-era forest administration over modern rights-based legislation. To ensure the FRA is implemented in its true spirit, judicial oversight must be paired with stronger accountability mechanisms for committees that "short-circuit" the rights of forest-dwelling communities by ignoring the Act's clear legal architecture.

UPSC Prelims Exam Practice Question

Ques:The doctrine of *lex posterior derogat priori* implies:

- Special law overrides general law
- Later law overrides earlier law
- Judicial decisions override legislation
- Custom overrides statutory law

Ans: b)

UPSC Mains Exam Practice Question

Ques: Explain the significance of the Forest Rights Act, 2006 in addressing historical injustices faced by tribal communities. **(150 Words)**

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Page 15: GS III : Economy / Prelims Exam

As the Wealth of Nations celebrates its 250th anniversary, the intellectual discourse around Adam Smith has shifted from viewing him solely as the "father of capitalism" to recognizing him as a nuanced moral philosopher. The "Das Adam Smith Problem" represents a historical debate over whether Smith's economic theories contradict his moral philosophy.

KEYWORD



Das Adam Smith Problem: rethinking Smith's moral and economic worlds

The Das Adam Smith Problem shows an apparent dichotomy between sympathy and self-interest in Adam Smith's works, but most scholars now view it as a misunderstanding, arguing that his philosophy forms a coherent whole uniting ethics and economics



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Atanu Biswas

Adam Smith's magnum opus, *An Inquiry into the Nature and Causes of the Wealth of Nations*, considered the foundation stone of modern economics, marked its 250th anniversary on March 9. While celebrating the epic work, it is also worth pondering the long-standing conflict between two of Smith's books – *The Wealth of Nations* (1776) and *The Theory of Moral Sentiments* (1759).

A 'problem' or a misreading?

The "problem," known as "Das Adam Smith Problem," was first formulated by German economists of the Historical School, such as Wilhelm Hasbach and August Oncken, in the late 19th century. They perceived a huge contrast between the sympathetic moral philosophy of Smith's first book and the selfishness depicted in the latter. Did Smith's perspective really evolve over those 17 years?

In the 1920s, however, Jacob Viner, a mentor of the early Chicago school of economics, showed that Smith's two books share an identical philosophical base. Furthermore, David D. Raphael and Alec A. Macfie, editors of the 1976 Glasgow Edition of *The Theory of Moral Sentiments*, categorically rejected the Das Adam Smith Problem, calling it "a pseudo-problem based on ignorance and misunderstanding."

Smith extended his earlier moral philosophy into economics rather than discarding it. The "invisible hand" was a metaphor for how individual motivations, when properly directed, could benefit society. It was never intended to be a celebration of avarice. Drawing on Rousseau's *Second Discourse*, as discussed in Charles L. Griswold's 2010 paper, "Smith and Rousseau in Dialogue: Sympathy, Pity, Spectatorship and Narrative," Smith suggested that human beings are not naturally sociable, and that markets are extensions of morality rather than moral voids.

The Das Adam Smith Problem has come to symbolise the dual nature of modernity itself, especially in the wake of industrial capitalism. The majority of contemporary scholars see this as a misunderstanding or a partial grasp of Smith's philosophy and view it as forming a coherent whole that unites ethics and economics. As Amartya Sen wrote in a 2010 paper in the *Erasmus Journal for Philosophy and Economics*, "In economics, for example, Smith was concerned not only with the sufficiency of self-interest at the moment of exchange but also with the wider moral motivations and institutions required to support economic activity in general."

Reconciling morality and markets

On closer inspection, Smith's two perspectives are not only compatible but also complement each other, as they are,

in fact, part of a unified system. While the *Wealth of Nations* is more outward-focused, the *Theory of Moral Sentiments* is inward-focused; both, however, view the world and the self through the lens of empathy. The *Wealth of Nations* deals with applied empathy, whereas *Theory of Moral Sentiments* is about empathy per se.

What is the root cause of the Das Adam Smith Problem? As Leonidas Montes argued in a 2003 paper in the *Journal of the History of Economic Thought*, "Scholars have long been interested in the apparent dichotomy between sympathy and self-interest in Smith." This dilemma arises because, by nature, human beings are binary thinkers. The real world, however, exists along a spectrum of grey areas. There is a constant interplay, advancement, regression, etc., of self-interest and empathy. Smith's two books engage with different points along this same spectrum.

In his 2010 work, Amartya Sen argued that "Adam Smith has had much smallness thrust upon him." Smith became the welfare theorist of today because of the innovative interpretations of the welfare economists.

Leon Walras, the famous economist, set the goal for mathematical economics in the 1880s, but it was not until Kenneth Arrow's work in the 1950s that it was realised. To comprehend what markets can accomplish collectively, Arrow developed economic theory beyond tired

dichotomies of whether they are good or bad.

A debate that endures

There is no denying that the "Das Adam Smith Problem" has long puzzled academics, and it shows not just the dualities in Smith's work but also our uneasy relationship with morality and markets. But it is also necessary to mention the fact that though the two different Smiths are now well connected, there is no single thread that fully links the two works. As David Wilson and William Dixon noted in a 2006 paper in the *Journal of Critical Realism*, "There is still no widely agreed version of what it is that links these two texts, aside from their common author." That is the beauty and mystery of it.

Today, the Das Adam Smith Problem has taken on a broader scope. "How do we integrate the fact that much economic analysis is based on self-regard (via the price mechanism) with renewed interest in and evidence of the importance of pro-social motivations?" Natalie Gold, of the University of Oxford, in her 2020 paper in *Social Philosophy & Policy*, writes that it's the renewed Das Adam Smith Problem for the 21st century. Thus, the cornerstone of the Scottish Enlightenment in the 18th century continues to shed light on the world in a renewed spectrum. (Atanu Biswas is Professor of Statistics, Indian Statistical Institute, Kolkata)

Understanding the "Problem"

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The term was coined by 19th-century German economists who perceived an irreconcilable dichotomy between Smith's two major works:

1. **The Theory of Moral Sentiments (1759):** Focuses on **Sympathy** (empathy) and the "impartial spectator" as the basis for human morality.
2. **The Wealth of Nations (1776):** Focuses on **Self-interest** and the "invisible hand" as the drivers of economic prosperity.

The "Pseudo-Problem" Argument:

Modern scholars, including Amartya Sen and the editors of the Glasgow Edition (1976), argue that this conflict is a misunderstanding. They posit that Smith's philosophy is a **coherent whole**.

Reconciling Morality and Markets

For the UPSC aspirant, understanding this reconciliation is crucial for Ethics (GS IV) and Economics (GS III) papers.

- **Applied Empathy:** The Wealth of Nations is essentially "applied empathy." For a market transaction to succeed, one must understand the needs and desires of the other party.
- **Invisible Hand vs. Avarice:** Smith never intended the "invisible hand" to justify greed. Instead, he argued that individual motivations, when guided by a moral framework and proper institutions, benefit society collectively.
- **The Role of Institutions:** Amartya Sen highlights that Smith recognized self-interest is sufficient for the moment of exchange, but **moral motivations and institutions** are required to support economic activity in the long run.

Modern Relevance: The 21st Century "Problem"

The debate has evolved from a historical academic exercise into a functional question for modern policy-making: **How do we integrate self-regard (price mechanisms) with pro-social motivations (altruism, environmentalism, social justice)?**

- **Beyond Dichotomies:** Following Kenneth Arrow's work, modern economics seeks to understand what markets can accomplish collectively without labeling them as purely "good" or "bad."
- **Pro-Social Motivations:** Issues like the **Sustainable Development Goals (SDGs)** and **Corporate Social Responsibility (CSR)** are modern reflections of Smith's belief that markets must be extensions of morality rather than moral voids.

Key Perspectives for UPSC

Scholar/School	Core Argument
German Historical School	Perceived a "U-turn" in Smith's thought from sympathy to selfishness.

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Scholar/School	Core Argument
Jacob Viner / Chicago School	Argued that both books share an identical, consistent philosophical foundation.
Amartya Sen	Contends that Smith's focus was on the "wider moral motivations" needed to sustain an economy.
Natalie Gold	Framed the "Renewed Das Adam Smith Problem" as the challenge of balancing price mechanisms with social good.

Conclusion

The "Das Adam Smith Problem" serves as a reminder that economics cannot be divorced from ethics. For administrators and policymakers, Smith's true legacy is the understanding that a successful market economy is not fueled by unregulated greed, but is nested within a framework of social sympathy and robust institutions. As India pursues "Inclusive Growth," the synthesis of Smith's moral and economic worlds provides a 250-year-old blueprint for balancing individual aspiration with the collective good.

UPSC Prelims Exam Practice Question

Ques: Which of the following best explains the idea of the "invisible hand"?

- (a) Government regulation of markets
- (b) Moral policing of economic actors
- (c) Unintended social benefits arising from individual self-interest
- (d) Redistribution of wealth by the state

Ans:c)

UPSC Mains Exam Practice Question

Ques:Critically analyze the relevance of Adam Smith's ideas in addressing modern challenges such as inequality, environmental sustainability, and corporate responsibility. **(150 Words)**

The Purchasing Managers' Index (PMI) is a vital barometer for assessing the health of the manufacturing sector. The latest HSBC India Manufacturing PMI data for April 2026 presents a dual narrative: while the sector continues to expand, it is grappling with significant structural headwinds, including geopolitical tensions and inflationary pressures.

War impacts April manufacturing PMI

The Hindu Bureau

NEW DELHI

Manufacturing activity in April 2026 slowed to its second-lowest level in nearly four years, showed a private sector survey of companies, with improvements seen compared to March, but new order levels still remaining historically low.

The HSBC India Manufacturing Purchasing Managers' Index (PMI) rose to 54.7 in April 2026 from 53.9 in March. However, this level was still the second-lowest in 46 months. A reading above 50 denotes expansion in activity while one below 50 indicates a contraction.

'Mild recoveries'

"April data showed mild recoveries in growth of new business intakes and production among Indian manufacturers, but rates of increase were still the second-weakest since 2022," the report said. "Ex-

ports was a bright area, with firms welcoming the fastest upturn since last September."

Lower readings

The report noted that the two largest sub-components of the PMI – new orders and output – rose since March but readings were still lower than those seen in at least three-and-a-half years.

"Survey participants indicated that advertising and demand resilience supported sales and production, but that growth was hampered by competitive conditions, the war in the Middle East and a reluctance among clients to approve pending quotes," the report said.

It further noted the survey respondents continued to say the war exerted upward pressure on inflation, with input costs and output charges rising at the quickest rates in 44 and six months, respectively.



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Conceptual Framework: What is PMI?

The PMI is a survey-based indicator that reflects the health of the manufacturing sector. It is derived from a basket of indices, including new orders, output, employment, supplier delivery times, and stocks of purchases.

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- **Threshold:** A reading above 50 indicates an **expansion** in economic activity, while a reading below 50 indicates a **contraction**.
- **Significance:** Because it is survey-based and released early, it is often considered a "leading economic indicator" that helps forecast GDP growth.

Data Overview: April 2026

The April PMI reading of 54.7 suggests the sector is expanding, but the context of this growth is critical.

Metric	March 2026	April 2026	Trend
Manufacturing PMI	53.9	54.7	Expansion (but historically low)
New Orders	-	-	Slowed growth
Exports	-	-	Strongest upturn since Sept
Input/Output Costs	-	-	Rapid inflation (Cost-push)

Analysis of Current Trends

1. The "Mild Recovery" vs. Structural Stagnation

While the PMI rose to 54.7, it remains at its second-lowest level in 46 months. This indicates that while manufacturers are still adding capacity, the *rate* of growth is significantly muted compared to the post-pandemic recovery years. The reliance on "mild recoveries" suggests that domestic demand—the primary engine of India's manufacturing growth—is facing resistance.

2. The "War Impact" and Inflation

The survey highlights a classic **Cost-Push Inflationary** scenario:

- **Geopolitical Disruption:** The ongoing war in the Middle East is exerting upward pressure on input costs. This disrupts global supply chains and increases energy/freight costs.
- **Transmission to Consumers:** Because input costs are rising, companies are passing these costs to consumers, resulting in higher output charges (fastest increase in six months). This risks dampening future consumer demand if purchasing power erodes.

3. Resilience in Exports

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A bright spot in the data is the export performance, which recorded its fastest growth since September. This suggests that Indian manufacturing is gaining some competitiveness in global markets despite global economic uncertainties, providing a necessary buffer against the slowdown in domestic new orders.

Implications for the Economy & Policy

- **Monetary Policy:** If input costs continue to rise and reflect in core inflation (CPI/WPI), the Reserve Bank of India (RBI) may face pressure to maintain a hawkish stance, potentially delaying interest rate cuts.
- **Demand Management:** The "reluctance among clients to approve pending quotes" indicates a cautious business sentiment. For the government, this emphasizes the need for continued investment in infrastructure and policies that sustain domestic consumption.

Conclusion

The April 2026 PMI data indicates that while Indian manufacturing remains resilient enough to stay in expansion territory, the "historical lows" in growth rates serve as a warning. The sector is currently caught between the exogenous shocks of geopolitical instability—which are driving up input costs—and a cooling domestic demand environment. For sustained growth, India must leverage its strengthening export performance while managing the inflationary pressures that threaten to stifle the momentum of its domestic manufacturing base.

UPSC Prelims Exam Practice Question

Ques: A situation where rising input costs lead to higher consumer prices is best described as:

- (a) Demand-pull inflation
- (b) Cost-push inflation
- (c) Structural inflation
- (d) Hyperinflation

Ans: b)

UPSC Mains Exam Practice Question

Ques: What is the Purchasing Managers' Index (PMI)? Explain its significance as a leading economic indicator. (150 Words)

The latest data from the 80th round of the National Sample Survey (NSS) for 2025-2026 presents a complex picture of India's healthcare landscape. While government initiatives—such as the expansion of health insurance and primary healthcare centers—have made significant strides in increasing service utilization, a parallel crisis of rising medical inflation and high Out-of-Pocket Expenditure (OOPE) continues to pose a major threat to household financial stability.

Households face rising medical inflation

NEWS ANALYSIS

Nivedita S.

Medical inflation in India is rising at an exponential rate every year with many households, despite government support, at risk of piling up large debt if a family member falls chronically ill or has an accident.

The government's 2025-26 Economic Survey showed health inflation slowed to 3% in December 2025 from 6% in 2023. However, the Aon's Global Medical Trends Rate 2026 and other reports put medical inflation at 12-13%.

This is significant as most Indians lack health cover and depend on out-of-pocket expenditure (OOPE). In 2025, the estimated average OOPE per hospitalisation case (excluding childbirth) was ₹34,064 (₹31,484 in rural and ₹38,688 in urban) as per the Survey on Health conducted as part of the 80th round of the National Sample Survey. In government hospitals, the average OOPE per hospitalisation was ₹6,631, ₹39,530 in charitable/NGO-run hospitals and ₹50,508 in private hospitals. This is a huge jump from the 75th round where the average medical expenditure was ₹20,135 in hospitalisation cases (excluding childbirth). For a large section of the population, this exceeds monthly household income.

Factors behind inflation
 The reasons for the rise in healthcare costs are multifaceted. "Rising medical inflation can be attributed to rapid technological advancement resulting in costlier treatments, increased demand as non-communicable disease burden rises and population ages," Dr. Ashna Mehta, associate professor at



Turning pauper: Families resort to taking loans, selling jewels and property to meet medical expenses. GETTY IMAGES /ISTOCK

the Indian Institute of Public Health, said.

She added pharmaceutical inflation (rise in drug prices) was also a factor.

The advancement in healthcare relies on technology leading to higher input costs in hospitals and increased imports of costly medical devices and drugs. The fluctuations caused by global supply chain disruptions also contribute.

"When new technology is introduced in healthcare, the initial costs will be high. However, with the streamlining of the technologies and boosting local production, the costs can be reduced," said Dr. M. Muniyandi, Head of Department of Health Economics at the ICMR-National Institute for Research in Tuberculosis.

Privatisation issue
 Privatisation of healthcare in India is also a major factor in costs rising. In 2025, 61.25% of hospitalisation cases were at private hospitals as per the Survey on Health. Many patients often had to resort to private health institutions to take certain lab tests and undergo complex surgeries on account of quality issues and absence of these facilities in public hospitals.

Profit-driven model
 As public hospitals are overburdened and lack infrastructure, large corpo-

rate players entered the market to fill the gap. Private equity investment in Indian healthcare stood at \$5.5 billion in 2023. The profit-driven model in private hospitals worsens inequities and accessibility. The Supreme Court on March 4, 2025, urged States to come out with guidelines to regulate pricing in private hospitals to ensure patients were not exploited or compelled to undergo expensive treatments and scans. "Enforcement of regulations is challenging given the size of the private sector and heterogeneity among providers," Dr. Mehta said.

Lack of insurance
 In a 2026 study published in Global Heart on heart failure, one of the leading causes of death in India, showed over 70% of patients lacked health cover for costly treatment and hospitalisation. As much as 90% of the total health expenditure was financed by OOPE. The average OOPE per patient was ₹1,06,566. In over 30% of the cases, the families resorted to distress financing by taking out loans, selling jewellery and even property.

As of 2025, only 47.4% rural and 44.3% of urban households had some kind of health cover. Moreover, insurance does not cover everything. "Most insurance schemes only cover

hospitalisation; OOPE as well as expenditure on medicines is left out, which means people access these by paying out of pockets," Dr. Mehta said.

The government's Ayushman Bharat- Pradhan Mantri Jan Arogya Yojana (AB- PMJAY) provides ₹5 lakh/ to 12 crore poor and vulnerable families in urban and rural areas for secondary and tertiary healthcare.

However, rejection of claims on account of incorrect documents, excessive lag in reimbursement, fraudulent activities by hospitals and reliance on digital services caused hindrances in its effectiveness. Another problem is the "missing middle," says Dr. Mehta. "Those who are left out of coverage entirely because they are not poor enough to be eligible for government-funded schemes and not well-off enough to buy private insurance."

Solutions ahead
 India's public health expenditure is below 2% of GDP. The Union Budget 2026 allocated ₹1,04,559 crore towards the healthcare sector, which is only 0.26% of GDP. "Most countries that succeeded in keeping healthcare affordable and accessible for all have done so on the back of robust public sector provisioning as well as public spending and subsidies," Dr. Mehta said. She added there was no other alternative to address the rising medical inflation.

The Clinical Establishments (Registration and Regulation) Act, 2010, mandates private and public hospitals to charge the rates for each type of procedure and service within the range determined by the Centre in consultation with the State Government. However, its imple-

mentation lags. As healthcare is a State subject, State governments should step in to form guidelines to enforce this measure to prevent overcharging.

"Strengthening public healthcare network via integration of hospitals is necessary. Patients must be able to move easily from a primary health centre to tertiary care. There must be massive testing and diagnostic facilities in place run by the government," Dr. Muniyandi said. He added the interventions the government introduced for addressing polio, HIV and tuberculosis, which ensured free treatment for vulnerable populations, must now be expanded to other serious illnesses and non-communicable diseases.

To address pharmaceutical inflation, the National List of Essential Medicines 2022 must be expanded. Currently, there are 384 drugs in the list and prices capped by price ceilings via market-based formula. The World Health Organization's (WHO) list of essential medicines, however, has 520 drugs. Several experts pointed out lack of frequent updation left out several life-saving drugs from the national list.

"Apart from focusing on prevention by adopting a healthy lifestyle and opting for periodic screening against common illnesses, those who can afford to must buy private insurance with ample coverage to protect against catastrophic health expenditure," Dr. Mehta said.

There is also a need to expand the Essential Commodities Act, 1955 to include healthcare services apart from medicines to ensure life-saving treatments are readily available for the public irrespective of market conditions.



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Key Data Insights: The 80th Round NSS Findings

The survey reveals a "morbidity paradox": although more people are accessing healthcare, the financial burden of doing so remains disproportionately high.

Metric	Findings (NSS 80th Round)	Analysis
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Metric	Findings (NSS 80th Round)	Analysis
Average (Hospitalization) OOPE	₹34,064 (Rural: ₹31,484; Urban: ₹38,688)	Exceeds monthly household income for a large segment of the population.
Cost Disparity	Public: ₹6,631 vs. Private: ₹50,508	Private hospitalization is ~8 times more expensive than public.
Insurance Coverage	~47% (Rural) & ~44% (Urban)	Significant growth due to AB-PMJAY, but gaps persist.
Median OOPE	₹11,285	Indicates that while many costs are low, catastrophic events remain unaffordable.

Drivers of Medical Inflation

Healthcare costs are rising due to a combination of demand-side and supply-side pressures:

- 1. Technological Advancement:** Modern diagnostics and complex surgeries require high-end imported medical devices, driving up input costs.
- 2. Epidemiological Transition:** A shifting disease burden—moving from infectious diseases to Non-Communicable Diseases (NCDs) like diabetes, cancer, and heart disease—requires prolonged and expensive treatment cycles.
- 3. Privatization & Profit-Driven Models:** With public facilities often perceived to suffer from quality or infrastructure gaps, a majority of patients (over 60%) gravitate toward the private sector, which operates on a profit-maximizing model.
- 4. Pharmaceutical Inflation:** The pricing of life-saving drugs often outpaces income growth, and the National List of Essential Medicines (NLEM) is perceived to have gaps in coverage.

Policy Challenges: The "Missing Middle" and Systemic Gaps

The current healthcare model faces several structural hurdles:

- The Missing Middle:** A substantial segment of the population is too affluent to qualify for government-subsidized schemes like AB-PMJAY but lacks the financial cushion to afford comprehensive private health insurance.
- Implementation Lags:** While the Clinical Establishments (Registration and Regulation) Act, 2010 mandates price transparency and regulation, its implementation remains uneven across states.
- Insurance Limitations:** Most insurance schemes are "hospitalization-centric," leaving out critical expenses such as outpatient diagnostics and medicine costs, which constitute the bulk of everyday healthcare spending.

The Way Forward: Towards Affordable Healthcare

To transition from mere "access" to "financial protection," analysts suggest a multi-pronged approach:

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Daily News Analysis

- **Strengthening Public Infrastructure:** Global evidence suggests that affordable healthcare is best achieved through robust public sector provisioning. This includes integrating Primary Health Centers (PHCs) with tertiary care to create a seamless referral system.
- **Regulatory Frameworks:** States need to actively enforce price regulation in private hospitals, ensuring that procedures are charged within reasonable limits.
- **Expanding the Essential List:** The NLEM should be updated more frequently and expanded to match WHO benchmarks, ensuring that life-saving drugs remain within price ceilings.
- **Public Spending:** As India's public health expenditure is still under 2% of GDP, a sustained increase in budget allocation is required to build a resilient public health safety net that doesn't just "subsidize" private care, but provides quality alternatives.

Conclusion

The NSS data indicates that India has successfully improved the reach of its healthcare system, but the depth of financial protection remains inadequate. Achieving Universal Health Coverage (UHC) will require moving beyond a hospital-centric insurance model and focusing on a holistic, government-led primary healthcare system that can absorb the shock of medical inflation before it translates into household debt.

UPSC Prelims Exam Practice Question

Ques: The Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) primarily aims to:

- (a) Provide universal outpatient care
- (b) Cover hospitalization expenses for vulnerable populations
- (c) Regulate private hospitals
- (d) Subsidize pharmaceutical companies

Ans: b)

UPSC Mains Exam Practice Question

Ques: Discuss the role of public healthcare infrastructure in reducing medical inflation and ensuring equitable access to healthcare. (250 Words)