

NCERT Solutions for 11th Class Economics: Chapter 2-Indian Economy 1950-1990



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Exercises

1. Define a plan.

Answer

A plan spells out how the resources of a nation should be put to use. It should have some general goals as well as specific objectives which are to be achieved within a specified period of time.

2. Why did India opt for planning?

Answer

At the time of independence, the Indian economy was in its worst stage. The GDP, National and Per Capita income were very low and the unemployment was very high. The Industrial growth was insignificant also the Agricultural Sector was not doing well. The resources were very limited. So India opted for planning because it helps in spelling out how the resources of a nation should be used efficiently and economically, so that rate of economic growth can be accelerated.

3. Why should plans have goals?

Answer

Since the resources are limited so one can not each and every objective in one go. One needs to fix some goals and plan to achieve its priority wise in a specific period of time. A plan should have some general goals as well as specific goals which are to be achieved within a specified period of time. Goals are desired achievement for which all the efforts and resources are directed to attain it. It also checks wastage.

4. What are miracle seeds?

Answer

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Miracle seeds or High yielding variety (HYV) seeds are helpful in increasing the production of food grains. The use of these seeds requires the use of fertilisers and pesticide in the correct quantities and regular supply of water.

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5. What is marketable surplus?

Answer

Marketable surplus refers to the difference between the total output produced by a farmer and his on-farm consumption. Or, we can say, the portion of agricultural produce which is sold in the market by the farmers is called marketable surplus.

Marketable surplus = Total farm output produced by farmer - Own consumption of farm output.

6. Explain the need and type of land reforms implemented in the agriculture sector.

Answer

At the time of independence, the land tenure system was characterized by intermediaries called Zamindars, Jagirdars etc. who merely collected rent from the actual tiller of the soil without contributing towards improvements on the farm. This de-motivated the actual tiller hence productivity was very low. Therefore, there was an urgent need of land reform policy.

Types of Land reforms:

→ Abolition of intermediaries: The prime focus of land reforms was to abolish intermediaries like Zamindars, Jagirdars, etc. There were many steps undertaken to make the tillers, the owners of the land because

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ownership of land enables the tiller to make profit from the increased output.

→ Consolidation of land holdings: As the land holdings were small and also fragmented, so it was very necessary to consolidate the land holdings for the use of modern and advanced technology. The farmers were given consolidated holdings equal to the total of the land in their various fragmented plots. This enabled them the benefits associated with the large scale production.

→ Land Ceiling: This means fixing the maximum size of land which could be owned by an individual. The purpose of land ceiling was to reduce the concentration of land ownership in a few hands.

7. What is Green Revolution? Why was it implemented and how did it benefit the farmers? Explain in brief.

Answer

The term Green Revolution refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice.

It was implemented because at independence, about 75% of the country's population was dependent on agriculture. But the productivity in the agricultural sector was very low because of the use of old technology and the absence of required infrastructure for the vast majority of farmers. India's agriculture vitally depends on the monsoon and if monsoon fell short the farmers were in trouble unless they had access to irrigation facilities which very few had.

By the use of HYV seeds the productivity of food grains increased remarkably and a good proportion of the rice and wheat produced during the green revolution period was sold by the farmers in the market. India achieved self-sufficiency and self-reliability in food grains.

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8. Explain 'growth with equity' as a planning objective.**Answer**

Only growth of the country can not improve the kind of life which people are living. A country can have high growth; the most modern technology developed in the country itself, and also has most of its people living in poverty. It is important to ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich. So, in addition to growth, equity is also important: every Indian should be able to meet his or her basic needs such as food, a decent house, education and health care and inequality in the distribution of wealth should be reduced. This should be our planning objective.

9. Does modernisation as a planning objective create contradiction in the light of employment generation? Explain.**Answer**

No, modernisation as a planning objective does not contradict employment generation. In fact, both modernisation and employment generation are positively correlated. By modernization we mean adoption of new technology to increase the production of goods and services. For example, a farmer can increase the output on the farm by using new seed varieties instead of using the old ones. Similarly, a factory can increase output by using a new type of machine. This does not cut down the employment generation opportunity rather this facilitate the manpower in their works. The only thing we need to train our human resources.

The use of modern technology and input will raise the productivity and, consequently, the income of the people that will further raise the demand for goods and services. In order to fulfill this increased demand, there will be more job opportunities that will lead more people to be hired and, hence,

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more employment opportunities will be generated. Hence, both modernisation and employment generation are not contradictory but are complementary to each other.

10. Why was it necessary for a developing country like India to follow self-reliance as a planning objective?

Answer

It was necessary for a developing country like India to follow self-reliance as a planning objective. as otherwise, it would increase the country's dependence on foreign products. Further, it was feared that dependence on imported food supplies, foreign technology and foreign capital may make India's sovereignty vulnerable to foreign interference in our policies.

11. What is sectoral composition of an economy? Is it necessary that the service sector should contribute maximum to GDP of an economy? Comment.

Answer

The GDP of a country is derived from the different sector's of the economy, namely the agricultural sector, the industrial sector and the service sector. The contribution made by each of these sectors makes up the structural composition of the economy.

Yes, it is necessary that at the later stages of development, service sector should contribute the maximum to the total GDP. This phenomenon is called Structural Transformation. With the development the share of agriculture declines and the share of industry become dominant. At higher levels of development, the contribution of service sector becomes more than the two other sectors. This has been observed in the case of developed economies of the world.

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12. Why was public sector given a leading role in industrial development during the planning period?

Answer

At the time of independence, Indian industrialist did not have the capital to undertake investment to industrial ventures required for the development of our economy, nor was the market big enough to encourage industrialist to undertake major projects even if they had the capital to do so. It is principally for these reasons that the state had to play an extensive role in promoting the industrial sector. In addition, the decision to develop the Indian economy on socialist lines led to the policy of the state controlling the commanding heights of the economy.

13. Explain the statement that green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during times of shortage.

Answer

Green Revolution led to an increase in the production of food grains. With the use of modern technology, extensive use of fertilisers, pesticides and HYV seeds there was a significant increase in the agricultural productivity and product per farm land. In addition, the spread of marketing system, abolition of intermediaries and easy availability of credit has enabled farmers with greater portion of marketable surplus. All these factors enabled the government to procure sufficient food grains to build the buffer stock and to provide cushion against the shocks of famines and shortages.

14. While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in the light of this fact.

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Answer

Any new technology will be looked upon as being risky by farmers. Subsidies were, therefore, needed to encourage farmers to test the new technology. Some economists believe that once the technology is found profitable and is widely adopted, subsidies should be phased out since their purpose has been served. Further, subsidies are meant to benefit the farmers but a substantial amount of fertilizer subsidy also benefits the fertilizer industry; and among farmers, the subsidy largely benefits the farmers in the more prosperous regions. Therefore, it is argued that there is no case for continuing with fertilizer subsidies; it does not benefit the target group and it is a huge burden on the government's finances. On the other hand, some believe that the government should continue with agricultural subsidies because farming in India continues to be a risky business. Most farmers are very poor and they will not be able to afford the required inputs without subsidies. Eliminating subsidies will increase the inequality between rich and poor farmer and violate the goal of equity. These experts argue that if subsidies are largely benefiting the fertilizer industry and big farmers, the correct policy is not abolish subsidies but to take steps to insure that only the poor farmers enjoy the benefits.

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15. Why despite the implementation of green revolution, 65% of our population continued to be engaged in the agriculture sector till 1990?

Answer

In India, between 1950 and 1990, the proportion GDP contributed by agriculture declined significantly but not the population depending on it (67.5% in 1950 to 64.9% by 1990). The agricultural output could have grown with much less people working in the sector. This is because the industrial sector and the service sector did not absorb the people working in

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the agricultural sector. Many economists call this an important failure of our policies followed during 1950-1990.

16. Though public sector is very essential for industries, many public sector undertakings incur huge losses and are a drain on the economy's resources. Discuss the usefulness of public sector undertakings in the light of this fact.

Answer

Though, many Public sector undertakings are incurring huge losses but they are still useful in the areas of strategic concerns and hazardous chemicals. These are required for:

→ Enhancing Nation's Welfare: The main motive of the PSU was to provide goods and services that add to the welfare of the country as a whole. For example, schools, hospitals, electricity, etc. These services not only enhance welfare of country's population but also enhance the future prospects of economic growth and development.

→ Long Gestation Projects: It was not feasible and economically viable for the private sectors to invest in the big and wide projects like basic industries and electricity, railways, roads, etc. This is because these projects need a very huge initial investment and have long gestation period. Hence, PSU is the most appropriate to invest in these projects.

→ Basic Framework: An important ideology that was inherited in the initial five year plans was that the public sector should lay down the basic framework for industrialisation that would encourage the private sector at the latter stage of industrialisation.

→ Socialist Track: In the initial years after independence, Indian planners and thinkers were more inclined towards socialist pattern. It was justified on the rational ground that if the government controls the productive resources and production, then it won't mislead the country's economic

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growth. This was the basic rationale to set up PSUs. These PSUs produce goods not according to the price signals but according to the social needs and economic welfare growth of the country.

→ Reduce Inequality of Income and Generate Employment Opportunities:
It was assumed that in order to reduce inequalities of income, eradicate poverty and to raise the standard of living, government sector should invest in the economy via PSUs.

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17. Explain how import substitution can protect domestic industry.

Answer

Import substitution is also known as an inward looking trade strategy which implies discouraging the imports of those goods that could be produced domestically. Import Substitution Strategy not only reduces an economy's dependence on the foreign goods but also provides impetus to the domestic firms. Government provides various financial encouragements, incentives, licenses to the domestic producers to produce domestically the import substituted goods. This would not only allow the domestic producers to sustain but also enables them to grow as they enjoy the protective environment. They need not to fear from any competition and also not to worry about their market share as license gives them the monopoly status in the domestic market. Being monopolist, they earn more profits and invest continuously in R&D and always look for new and innovative techniques. This gradually improves their competitiveness and when they are exposed to the international market they can survive and compete with their foreign counterparts.

18. Why and how was private sector regulated under the IPR 1956?

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Answer

Under IPR 1956 the private sector was kept under state control through a system of licenses. No new industry was allowed unless a license was obtained from the government. This policy was used for promoting industry in backward regions; it was easier to obtain a license if the industrial unit was established in an economically backward area. In addition, such units were given certain concessions such as tax benefits and electricity at a lower tariff. The purpose of this policy was to promote regional equality.

Even an existing industry had to obtain a license for expanding output or for diversifying production. This was meant to ensure that the quantity of goods produced was not more than what the economy required.

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19. Match the following:

- | | |
|--------------------------|---|
| 1 Prime Minister . | A Seeds that give large proportion of output . |
| 2 Gross Domestic Product | B Quantity of goods that can be imported . |
| 3 Quota . | C Chairperson of the planning commission . |
| 4 Land Reforms . | D The money value of all the final goods and services produced within the economy in one year |
| 5 HYV Seeds . | E Improvements in the field of agriculture to increase its productivity |

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- 6 Subsidy . F. The monetary assistance given by government for production activities.

Answer

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- Chapter 7-Employment: Growth, Informalisation and Other Issues
- Chapter 8-Infrastructure
- Chapter 9-Environment and Sustainable Development
- Chapter 10-Comparative Development Experiences of India and Its Neighbours

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