

विषय कोड Subject Code : 030

परीक्षा का दिन एवं तिथि

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उत्तर देने का माध्यम

Medium of answering the paper : ENGLISH

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Each letter be written in one box and one box be left blank between each part of the name. In case Candidate's Name exceeds 24 letters, write first 24 letters.

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Section - A (Macroeconomics)

- ① Revenue Expenditure Capital expenditure
 Reason: Expenditure on defence items/equipments creates an asset for the nation.
 But defence services only comes under revenue expenditure.
- ② False. To reduce inflation, central bank should increase cash reserve ratio.
- ③ Aggregate Supply (AS) refers to the money value of all goods and services which all producers are willing to supply in an economy in a particular period of time.
- ④ Reserve Bank of India
- ⑤ Two examples of non-tax revenue receipts are Escheats and fees.

(6) Capital

Reason: Construction of new hospital is an asset for the country.

(7) option (c) - durable consumer good.

$$\begin{aligned}\Delta Y &= 600 - 500 = 100 \text{ crores} \\ \Delta C &= 500 - 400 = 100 \text{ crores} \\ \text{MPC} &= \frac{\Delta C}{\Delta Y} = \frac{100}{100} = 1.0\end{aligned}$$

∴ option - (c) - 1.0

(9) credit

(10) option - (B) - not defined (∞)

② The statement is defended because of the following reasons:

i) Change in prices:

If the increase in the GDP is because of rise in prices but not because of increase in the output, then GDP is not a reliable index of economic welfare.

ii) Non-monetary exchanges:

GDP does not take into account various exchanges in the economy which are ^{not} measured in monetary terms ex: services of housewife, Kitchen gardening. The reason is that, these are non-market transactions and ^{due to} non-availability of reliable data. Yet, these activities also influence economic welfare.

iii) Externalities:

Externalities refer to the benefit/harm caused by an individual or an enterprise for which they are not paid or penalised.

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There are two externalities:

Positive externalities: ex: Use of public parks by people for which they do not pay anything, enhances their health.

Negative externalities: ex: Industries create pollution harming the environment.

GDP doesnot take into account these externalities which also influences economic welfare.

Given:

(12) $MPC = 0.8$, $\Delta I = ₹ 4,000 \text{ Crores}$

To find: Investment multiplier (K) change in final Income (ΔY)

a) $K :-$

$$\begin{aligned} K &= \frac{1}{1 - MPC} \\ &= \frac{1}{1 - 0.8} \\ &= \frac{1}{0.2} \\ &= \frac{1}{\frac{2}{10}} \end{aligned}$$

$$= \frac{10}{2}$$

$$\therefore \boxed{k = 5}$$

b) $\Delta Y :-$

$$k = \frac{\Delta Y}{\Delta I}$$

$$\Delta Y = k \times \Delta I$$

$$= 5 \times 4,000$$

$$\Delta Y = 20,000 \text{ crores.}$$

\therefore change in final income is ₹20,000 crores.

(13) The statement 'Govt. Budget of a country cannot have fiscal deficit without the existence of revenue deficit' is refuted because of the following reasons:

- 1) A country's budget can have a balanced Revenue budget i.e.) Revenue receipts equals revenue expenditure and a deficit in capital budget i.e.) excess of capital expenditure over capital receipts.

The deficit in Capital budget may be due higher repayment of borrowings.

This situation will lead to Fiscal Deficit.

ii) A government budget can have surplus revenue budget i.e) when revenue receipts is more than revenue expenditure and deficit in capital budget. In this case too, fiscal deficit may arise.

Thus, there can be fiscal deficit without the existence of Revenue Deficit.

(14) i) "US Dollar has recorded a jump of 0.75 paise per Dollar" indicates the foreign exchange rate has risen.

ii) When the foreign exchange rate rises, the per unit price of Dollar in rupees has increased leading to 'Depreciation' of Indian rupee.

iii) This means, Domestic goods of ^{India} will become relatively cheaper for Americans as they can get more of Indian goods with the same amount of Dollars. Hence exports will increase and exporters would be benefitted.

iv) But now, Indians have to pay more Indian rupees to get US Dollars as the price has increased. Hence, imports will become costlier, discouraging imports which will affect the importers. This brings sorrow to importers.

15) Two instruments of credit control exercised by RBI to control credit are as follows.

i) Repo rate:

Repo rate is the rate at which central bank lend ^{loans} to commercial banks ^{for short term needs}. When RBI increases Repo rate, this will increase the cost of Borrowings of Commercial banks. They will be forced to increase their lending rates.

This will discourage borrowing, thereby controlling the credit, money supply.

When RBI reduces the repo rate, the cost of borrowings of commercial banks reduces, lending rates to public reduce, increasing credit creating capacity. This will increase the money supply and credit in the economy.

ii) Open-market operations :

Open-market operations refers to purchase and sale of securities by the RBI from and to the public and commercial banks.

When RBI purchases the security, this will increase the cash resources with the commercial banks. This leads to increase in the credit creating capacity, money supply in the economy.

When RBI sells its securities, this will reduce the cash resources available with the commercial banks, reduce credit creating capacity and money supply in

the economy.

16

(a) i) In a two sector economy with only households and firms, circular flow of income is based on axioms that "one's expenditure is other's income".

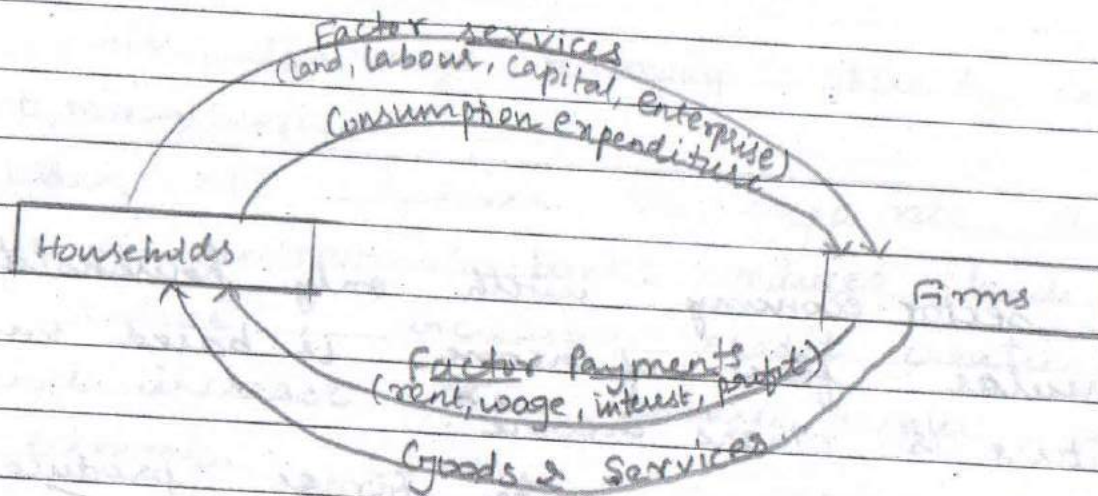
ii) In a circular flow of income, the firms produce goods and services and pay the factors of production given by households for their services in the form of rent, wages, interest, profit. Thus, leading to income generation.

iii) It is assumed that neither households nor the firms save their income, profits.

iv) The households spend their entire income on consumption which comes back to the firm. Thus the household's expenditure is the income of the firms.

At the same time, firms spend on production and income is received by the households.

Circular flow of income is illustrated below:



Circular flow of Income.

(b)	Basis	Value of Output (VOP)	Value added.
	Meaning	Value of output refers to the final ^{market} value of the goods and services produced in an economy in a period of time.	Value added refers to the addition of value to the raw material or intermediate products received in different stages of production by enterprises.
	Formula	$VOP = \text{Sales} + \Delta \text{in stock}$ <p>(or)</p> $VOP = \text{Price} \times \text{Quantity of goods sold in stock}$	$\text{Value added} = VOP - (\text{total in an economy})$ <p>Intermediate Consumption.</p>

(17) Gap 'KT' represents 'Inflationary Gap'.
Inflationary gap is the gap by which the actual AD exceeds the AD required to establish full employment equilibrium.

Two fiscal measures to correct the situation arise Taxation and Government expenditure. Both come under the fiscal policy of the government expenditure.

i) Taxation:

Government levies various taxes both direct and indirect. Taxes directly influence the income of the public.

When inflationary gap arises or during excess demand, government will increase the taxes and even impose new taxes. This will reduce the income of the people, reducing their purchasing power. This will help in the correction of inflationary gap and AD in the economy.

ii) Change in government expenditure:-

Government makes expenditure in various sectors of the economy like construction of roads, flyovers, bridges.

and in various other developmental activities.

When there is inflationary gap, the government reduces its expenditure especially on defence and in unproductive areas. This will reduce employment, income of the people and firms, reducing their purchasing power. This will help in correcting the inflationary gap and AD in the economy.

Section - B

(Indian Economic Development)

18. Union - (B) - Coal.

19. Trade (Import Substitution)

(20)	Column - I	Column - II
a.	WTO	(ii) is a multilateral trade negotiating body.
b.	RBI	(iv) is the central bank of India.
c.	IMF.	(i) Provides short-term loans to solve the Balance of Payments problem.
d.	IBRD	(iii) facilitates lending for reconstruction and development.

Answer : option - (D) - a - (ii), b - (iv), c - (i), d - (iii).

(21) op on - (C) - 1958

(22) National Bank for Agriculture and Rural Development - NABARD.

(23) False. Land ceiling means fixing the maximum limit of land holding for an individual.

(24) Indian Oil Corporation Ltd.

(25) opt (B) - 2009.

(26) The crops produced through organic farming are pest free and produced in a environmentally sustainable way.

(27) True. India has more proportion of people living below poverty line compared to Pakistan about 58%.

- (28)
- i) Loss making public sector enterprises are made to run despite losses and though they lead to drain of wealth like BSNL, MTNL.
 - ii) It is because, it is difficult ^{to close} a public sector undertaking.

limit

iii) Moreover a ~~pubt~~ private. This does not mean that private sector enterprises are always profitable. There are instances where certain ^{loss making} private sector enterprises were nationalised to protect the jobs of the workers.

Moreover a private sector enterprise would not be ~~dwasting~~ its resources by being kept running despite the losses.

iv) These enterprises can be sold to the private so that private capital and managerial capabilities can be utilised to make them as profitable enterprises.

v) By allowing these enterprises to run in losses, government's revenue becomes less and there would be shortage of revenue. To meet this shortage, there will be ~~disinvestment~~ of profit making PSU's.

vi) If this continues, within some period of time, private sector would acquire monopoly.

"Profits are privatised, losses are nationalised" in our country reducing the economic development.

(29) The major challenges that power sector faces today are high.

- i) India's installed power generation capacity is insufficient to feed the growing rise in energy demand and annual economic growth of 7% - 8%. To meet this growing demand, power supply needs to increase by 11% every year. Installed capacity is underutilised due to plants not run properly.
- ii) State electricity boards are incurring ₹ 500 billion losses. Reasons include wrong pricing, transmission and distribution losses, supply of electricity to farmers, electricity stolen in many areas.
- iii) Private sector is yet to play its role.
- iv) General public unrest due to high power ^atriffs and prolonged power cuts in many parts of the country.
- v) Thermal power plants - major power generator, is facing shortage of coal and raw material supplies.

(20) i) After independence, to promote equity and improve the agricultural productivity, land reforms were introduced in India.

ii) Abolition of Intermediaries:

As an important reform, the government abolished various intermediaries like Zamindars, jagirdars. This led to some 200 lakh tenants coming into direct contact with the government. They were thus freed from the exploitation by them.

iii) Change in land ownership and land ceiling:

Government was aimed at providing 'land to the tiller'. It collected surplus lands from large landowners and distributed to small, marginal, landless farmers.

It was felt that land ownership would give incentive to the farmer to increase the productivity, provided sufficient capital is made available to them.

Another policy called land ceiling was introduced. It refers to the fixing of maximum size of land which could be owned by an individual.

~~These policies lead~~

The policies of land ownership and land ceiling transformed the Indian agriculture.

Agricultural productivity improved as farmers had incentive to invest in their farms.

Land ceiling policy led to reduction in the concentration of land in few hands.

Thus, land reforms helped immensely in transforming agriculture.

(31)

i) India had been an important trading nation since ~~modern~~ ancient times. But the ~~resp~~ restrictive policies adopted by the colonial govt. affected the country's volume, composition and structure of foreign trade.

ii) Exporter of raw material, Importer of Finished goods:-

Under the colonial rule, India became an exporter of finished primary raw material like raw silk, raw cotton and importer of finished products

from Britain.

iii) Export Surplus :

The most important characteristic of India's foreign trade under British rule was generation of export surplus.

But this came at a huge cost for the economy.

It did not lead to flow of gold or silver into the country rather led to Drain of wealth.

It led to scarcity of various essential goods like kerosene, foodgrains.

It was used for payment of the expenses of office setup in Britain, expenses on war fought by British, imports of invisible items to India.

British had monopoly control over India's foreign trade.

(32)

- i) India's population growth rate is more than that of china. India population growth rate is 1.2% whereas china is 0.5%.
- ii) Scholars say that the one child norm introduced in 1970's in china is a major reason for low population growth.
- iii) This has serious implications. For ex: In china, in a few decades there would be more old people than younger people. This allowed made china to allow its couples to have two children. Impact of that norm is still seen in the population growth.
- iv) While assessing and analysing the Sex Ratio i.e) number of females per thousand males, Both countries seems to be biased towards females. India is worse than china in this indicator. India's sex ratio is 921 whereas in china it is 941.

v) Scholars cite son preference as a reason for this issue. Now, both the countries are taking steps to rectify it.

(33)

(a) Golden revolution:

Golden revolution is the process of increase in the production of Honey and Horticulture crops like fruits, tuber crops, ornamental plants, medicinal plants.

This revolution led to increase in the scope of providing sustainable livelihood options to rural people through horticulture.

It has improved the economic condition of marginal farmers who have engaged in horticulture. Due to golden revolution, India has become the global ^{leading} producer of vegetables, fruits.

Even women involve themselves in bee keeping and honey extraction.

(b) Carrying Capacity of environment :-

Carrying Capacity of environment means the capacity of environment to assimilate waste and withstand the extraction of resources.

It implies that rate of resource extraction should not exceed the rate of resource regeneration and the waste generated should be within the assimilating capacity of the environment.

(c) Poverty line :-

Poverty line is the line that divides the poor and the non-poor. It is the measure of basic welfare of an individual. People living above ~~about~~ the poverty line are non-poor and below poverty line are poor.

This is estimated by the government through Monthly per capita expenditure (MPCE) that is ₹ 816 for a rural person and ₹ 1,000 for an urban person.

(d) Life expectancy :

Life expectancy is the estimated ^{average} number of years a person would live in a country.

It is a major and important indicator of the health of people in a country.

At ~~present~~ it is 68 years (2015) in India. The indicator has improved over the years because of awareness created by govt. on health, hygiene through various programmes.

(34) i) The poverty alleviation programmes introduced and implemented from Independence have brought significant positive impacts.

ii) The ~~absolute~~ absolute number of poor and the head count ratio has declined considerably. In many states, the poverty level is below the national average level.

iii) Despite these programmes ^{and improvements}, yet hunger, starvation, malnourishment, illiteracy continue to be prevalent.

in many parts of the country.

iv) The programmes implemented were progressive but ~~and~~ have not undergone any radical transformation.

v) Scholars have identified three major concerns that are the reasons for this ineffective implementation.

Drawbacks:

- a) The benefits of direct poverty alleviation programmes were appropriated by non-poor due to unequal distribution of Income & wealth.
- b) The amount of resources allocated for the programmes are highly insufficient in comparison to the number of poor in the country.
- c) The programmes implementation to great extent depends upon the government and bank officials. They are ill-motivated, inadequately trained, prone to the pressure by local elites and corrupted, leading to inefficient use and wastage of resources.
- d) Non-Poor Participation of rural local institutions in the implementation of programmes.

- e) Government's policy measures failed to address the vast majority of people living on the poverty line and just above the poverty line.
- f) Lack of active participation of poor in the growth process.

To improve the situation, the poor needs to be encouraged to participate in the programmes and get them empowered. This can be done through a process of social mobilisation. This will increase their income levels, create employment opportunities and other infrastructure like schools, hospitals, etc.

