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EC ECONOMICS

11

This special guide is prepared
on the basis of New Syllabus
and Govt. Key



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Author's Note

Dear policy makers and the architects.

I thank the almighty to introduce this EC Economics 11th Std guide to the students of Economics who are tomorrow's policy makers and the teachers who are the architects shaping the future of every student with utmost care.

This EC Guide is prepared in such a manner to guide the students to secure full marks in the Exam.

Each and every answer is prepared to guide both the Slow learners and the Toppers.

Enough number of additional questions to test the understanding of the subject from the text book are included.

Try to answer diagrammatic questions and problems during Examination.

Practice the diagrams, Tables, headings, Sub-headings and Problems during leisure.

I pray the divine to bless the students to secure good marks in the Exam and reach great heights in your career.

K. Vidhya
P.G. Assistant

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CHAPTER**1****Introduction To
Micro-Economics****Glossary**

1.	Scarcity	The gap between what people want and what people can get
2.	Production	Creation of utility
3.	Distribution	Share of the national income reaching the four factors of production
4.	Services	Services, like goods, and economic entities; are inseparable from their owners and are intangible, perishable in nature
5.	Value	Power of a commodity to command other commodities in an exchange
6.	Price	Value of a commodity expressed in terms of money
7.	Income	The amount of monetary or other returns, either earned or unearned, accruing over a period of time
8.	Deductive Method	Deduction is a process in logic facilitating or arriving at an inference, moving from general to particular
9.	Inductive Method	Induction is a process in logic facilitative or arriving at an inference, moving from particular to general

Part I – Text Book Evaluation**Part – A : Multiple Choice Questions (1 mark)**

1. 'Economics is a study of mankind in the ordinary business of life' -It is the statement of

May-2022

- a. Adam Smith b. Lionel Robbins c. Alfred Marshall d. Samuelson

Ans: c) Alfred Marshall

2. **The basic problem studied in Economics is**
 a. Unlimited wants b. Unlimited means
 c. Scarcity d. Strategy to meet all our wants **Ans: c) Scarcity**
-
3. **Micro economics is concerned with** **SEP-2020**
 a. The economy as a whole b. Different sectors of an economy
 c. The study of individual economic units behaviour
 d. The interactions within the entire economy
Ans: c) The study of individual economic units behaviour
-
4. **Which of the following is a micro economics statement?** **GMQ-18**
 a. The real domestic output increased by 2.5 percent last year.
 b. Unemployment was 9.8 percent of the labour force last year.
 c. The price of wheat determines its demand
 d. The general price level increased by 4 percent last year.
Ans: c) The price of wheat determines its demand
-
5. **Find the odd one out:** **GMQ-18**
 a. "An inquiry into the nature and the causes of the Wealth of Nations"
 b. "Principles of Economics"
 c. "Nature and Significance of Economic Science"
 d. "Ceteris paribus" **Ans: d) "Ceteris paribus"**
-
6. **The equilibrium price is the price at which**
 a. Everything is sold b. Buyers spend their money
 c. Quantity demanded equals quantity supplied
 d. Excess demand is zero **Ans: c) Quantity demanded equals quantity supplied**
-
7. **Author of "An Inquiry into the Nature and Causes of Wealth of Nations"** **Mar-19 & 23**
 a. Alfred Marshall b. Adam Smith
 c. Lionel Robbins d. Paul A Samuelson **Aug-2022**
Ans: b) Adam Smith
-
8. **"Economics studies human behaviour as a relationship between ends and scarce means which have alternative uses" is the definition of economics of**
 a. Lionel Robbins b. Adam Smith
 c. Alfred Marshall d. Paul A Samuelson **Ans: a) Lionel Robbins**
-
9. **Who is the Father of Economics?** **MAR-2020**
 a. Max Muller b. Adam Smith
 c. Karl Marx d. Paul A Samuelson **Ans: b) Adam Smith**
-
10. **"Economics is a science" The basis of this statement is** ____
 a. Relation between cause and effect
 b. Use of deductive method and inductive method for the formations of laws
 c. Experiments d. All of the above **Ans: d) All of the above**

11. Utility means **MAR-2019**

- a. Equilibrium point at which demand and supply are equal
- b. Want-satisfying capacity of goods and services
- c. Total value of commodity
- d. Desire for goods and services

Ans: b) Want-satisfying capacity of goods and services

12. A market is**May-2022**

- a. Only a place to buy things
- b. Only a place to sell things
- c. Only a place where prices adjust
- d. A system where persons buy and sell goods directly or indirectly

Ans: d) A system where persons buy and sell goods directly or indirectly

13. Which one of the following is not a point in the Welfare Definition of Economics?

- a. Study of an ordinary man
- b. Economics does not focus on wealth alone
- c. Economics is the study of material welfare
- d. Economics deals with unlimited wants and limited means

Ans: d) Economics deals with unlimited wants and limited means

14. Growth definition takes into account

- a. The problem of choice in the dynamic framework of Economics
- b. The problem of unlimited means in relation to wants
- c. The production and distribution of wealth
- d. The material welfare of human beings

Ans: a) The problem of choice in the dynamic framework of Economics

15. Which theory is generally included under micro economics ?

- a. Price Theory
- b. Income Theory
- c. Employment Theory
- d. Trade Theory

Ans: a) Price Theory

16. have exchange value and their ownership rights can be established and exchanged

- a. Goods
- b. Services
- c. Markets
- d. Revenue

Ans: a) Goods

17. Identify the correct characteristics of utility

- a. It is equivalent to 'usefulness'
- b. It has moral significance
- c. It is same as pleasure
- d. It depends upon consumer's mental attitude

Ans: d) It depends upon consumer's mental attitude

18. Who has given scarcity definition of economics?

- a. Adam Smith
- b. Marshall
- c. Robbins
- d. Robertson

Ans: c) Robbins

19. The process of reasoning from particular to general is Mar-2023
- a. Deductive method b. Inductive method
 c. Positive economics d. Normative economics

Ans: b) Inductive method

20. Total revenue is equal to total output sold multiplied by Aug-2022
- a. Price b. Total cost
 c. Marginal revenue d. Marginal cost

Ans: a) Price

**Part – B : Answer the following questions in one or two sentences
(2 marks)**

21. What is meant by Economics? SEP-2020 Aug-2022
- The term 'Economics' comes from oikonomikos which means 'Management of households'. 'Political Economy' is renamed as 'Economics' by Alfred Marshall.

22. Define micro economics.
- Microeconomics is the study of the economic actions of individual units say households, firms or industries.

23. What are goods? MAR-2020
- The materialistic things and services which satisfy human wants are called as goods in economics.

24. Distinguish goods from services.

S.No.	Goods	Services
1	Material things, tangible	Intangible
2	Exist independently of their owner	Inseparable from their makers
3	Transferable have value - in - exchange	Services cannot be stored as inventories like goods.

25. Name any two types of utility. (any two) May-2022
1. Form utility 2. Time utility
 3. Place utility 4. Service utility
 5. Possession utility 6. Knowledge utility

26. Define positive economics.
- Positive economics deals with what it is, its means, it analyses a problem on the basis of facts and examines its causes.

27. Give the meaning of deductive method.
- Deductive method is named as analytical or abstract method. It consists in deriving conclusions from general truths.

**Part – C : Answer the following questions in one Paragraph
(3 marks)**

28. Explain the scarcity definition of Economics and assess it.

Mar-2023

Lionel Robbins defined Economics as “Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses”.

Assessment :

1. Robbins does not make any distinction between goods conducive to human welfare and goods that are not.
2. Economics deals not only with the micro-economic aspects but also with the macro - economic aspects like how national income is generated. Robbins reduces economics merely to theory of resource allocation.
3. Robbins definition does not cover the theory of economic growth and development.

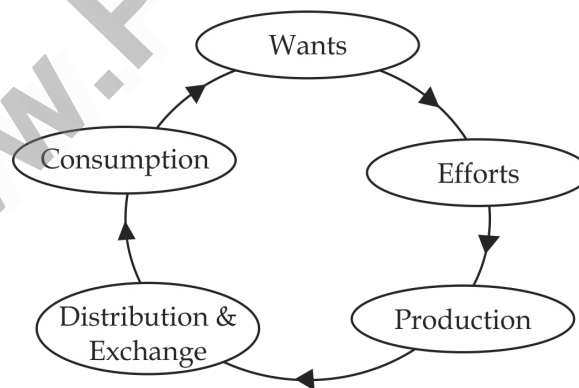
29. What are the crucial decisions involved in ‘what to produce?’

What to produce is one of the basic economic problems.

The crucial decisions include :

1. Whether to produce clothing and housing or luxury goods ?
2. Whether to have agricultural goods or industrial goods and services?
3. Whether to use resources in education and health or in military services ?
4. Whether to have consumption goods or investment goods ?
5. Whether to spend more on basic education or higher education ?

30. Explain different types of economic activities.



- ❖ Economics focuses on the behaviour and interactions among economic agents, individuals and groups in the economic system.
- ❖ It deals with consumption and production of goods and services and distribution of income among the factors of production.
- ❖ It includes the activities of the rational human beings under the existing social, legal and institutional arrangement.

- ❖ It studies the way in which people use the available resources to satisfy their multiplicity of wants.

31. What are the different features of services. SEP-2020

1. Intangible : Intangible things are not physical objects but exist in connection to other things. (Eg.) Brand image, Good will
2. Heterogeneous : Services vary across regions or cultural backgrounds. (Eg.) Music
3. Inseparable from their makers : Services are inextricably connected to their makers. (Eg.) Labour and Labourer are inseparable.
4. Perishable : Services cannot be stored as inventories.

32. What are the important features of utility? MAR-2020 Aug-2022

Utility : Utility is the want satisfying power of a commodity or a service.

Features of utility :

1. Utility is psychological.
2. Utility is not equivalent to usefulness.
3. Utility is not the same as pleasure.
4. Utility is personal and relative.
5. Utility is the function of the intensity of human want.
6. Utility is a subjective concept.
7. Utility has no ethical or moral significance.

33. Distinguish between micro economics and macro economics. (any 3) GMQ-18 MAR-2019

S.No.	Micro Economics	Macro Economics
1	It deals with the economic decision – making of individual economic agents.	It deals with aggregates and averages of the entire economy.
2	It accounts only small components of the whole economy.	It considers the economy of the country as a whole.
3	It deals with price determination of individual products and factors of production.	It deals with general price - level in any economy.
4	It is concerned with the optimization goals of individual consumers and producers	It is concerned with the optimization of the growth process of the entire economy.

34. Compare positive economics and normative economics.

Positive economics deals with what it means, it analyses a problem on the basis of facts and examines its causes whereas, Normative economics responds to a question like what ought to be .

Positive Economics :

1. An increase in money supply implies a price rise in an economy.
2. An increase in birth rate and a decrease in the death rate reflect the rate of growth of population.

Normative Economics :

1. Inflation is better than deflation.
2. More production of luxury goods is not good for a less developed country.

Part – D : Answer the following questions in about a page (5 marks)**35. Compare and contrast various definitions of Economics. GMQ-18 SEP-2020 May-2022****1. Wealth Definition : “Adam Smith”**

Adam Smith in his book “An inquiry into nature and causes of wealth of nations” (1776) defines “Economics as the science of wealth”

Criticism :

1. For Smith, Economics consists of ‘Wealth getting’ activities and ‘Wealth - spending’ activities.
2. An undue emphasis is given to material wealth.
3. It ignores human welfare which is an essential part of economics.
4. Ruskin and Carlyle regard economics as a ‘dismal science’, “Pig Science” etc as it is against ethics.

2. Welfare Definition : “Alfred Marshall”

Alfred Marshall in his book “Principles of Economics” (1890) defines economics as : “Political Economy” or economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being. Thus, it is on one side a study of wealth; and on the other and more important side, a part of the study of man.

Criticism :

1. Marshall regards only material things.
2. He does not consider immaterial things, such as the services of a doctor, a teacher and so on.
3. The concept of welfare is not clearly defined.
4. Welfare varies with person, country and time period.
5. Welfare not only depends on the stock of wealth possessed but also on political, social and cultural activities of the nation.

3. Scarcity Definition : “Lionel Robbins”

Lionel Robbins published a book “An essay on the nature and significance of economic science (1932). In it he defined “Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses”.

Criticism :

1. Robbins does not make any distinction between goods conducive to human welfare and goods that are not.
2. Economics deals not only with the micro-economic aspects but also with the macro-economic aspects like how national income is generated.
3. Robbins definition does not cover the theory of economic growth and development.

4. Growth Definition : "Samuelson"

Paul samuelson defines economics as "The study of how men and society choose, with or without the use of money to employ scarce productive resources which could have alternative uses, to produce various commodities over time, and distribute them for consumption now and in the future among various people and groups of society".

Criticism :

1. Like Robbins, Samuelson states that the means are scarce in relation to unlimited ends.
2. Samuelson makes his definition dynamic by including the element of time in it.
3. It covers various aspects like production, distribution and consumption.
4. Samuelson treats economics as a social science in contrast to Robbins regards it as a science.

Conclusion :

Of all the definitions discussed above the growth definition stated by Samuelson appears to be the most satisfactory.

36. Explain various steps of Deductive and Inductive methods.**Steps of deductive method :**

1. Should have clear and precise idea of the problem.
2. Definition of technical terms and assumptions.
3. Deducing hypothesis.
4. Verification of hypotheses

Steps of inductive method :

1. Data collection and arrangement.
2. By observing the data conclusions are drawn easily.
3. Generalization of data and hypothesis formulation.
4. Verification of hypothesis.

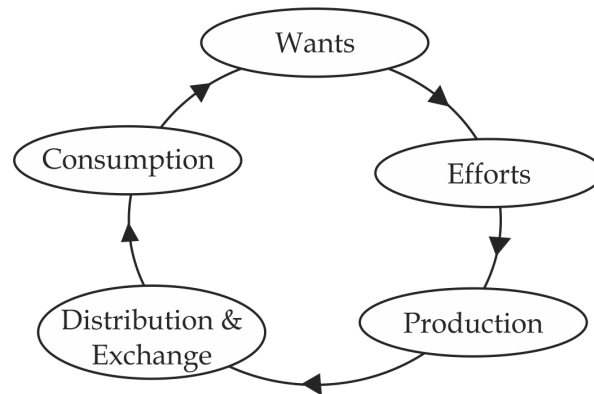
37. Elaborate the nature and scope of Economics. MAR-2020 Aug-2022 Mar-2023**Explanation :****Nature of Economics :**

The nature of a subject refers to its contents and how and why they find a place in the subject. This nature is understood by studying the various definitions given by the Economists.

The nature of Economics can be clearly understood from the following definitions :

1. Adam Smith (classical Era) who considered Economics is a science of wealth gave wealth definition.
2. Alfred Marshall (Neo-classical era) considered Economics as a social science which studies wealth on one side and the material welfare of human being on the other side.
3. Robbin's Scarcity Definition (new age) He defined Economics is a science of choice.
4. Samuelson gave growth definition which represents the modern age.

The scope of economics refers to the subject matter of economics. It throws light on whether it is an art or a science and science, whether positive or normative science.

Economics : It's subject matter :**Related to society :**

1. Economics focuses on the behaviour and interactions among economic agents, individuals and groups belonging to an economic system.
2. It deals with the consumption and production of goods and services and the distribution of income among the factors of production.

Related to scarce resources :

1. Economics studies the ways in which people use the available resources to satisfy their multiplicity of wants.

Human science or Social science :

1. Economics is concerned with activities of human beings.
2. The action of one member affect those of the others in the society. Hence, economics is called a human science or social science.

Related to wealth :

1. Economics constitute all human activities related to wealth.
2. Human activities not related to wealth are not included in Economics.

Economics as an art :

1. Art is the practical application of knowledge for achieving particular goals.
2. Economics provides guidance to the solutions to all the economic problems.

Economics as a science :

1. Science is a systematic study of knowledge. Science develops the co-relation between cause and effect based on facts.

Economics examines the relationship between the cause and effect of the problems. Hence, it is rightly considered as both an art and a science.

Economics : Positive and Normative science

Positive Economics is concerned with how ? and why ? and normative Economics with 'What ought to be'.

Economics is both a positive and normative science.

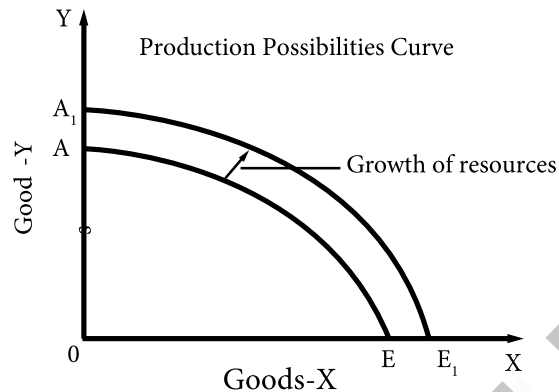
38. Explain basic problems of the economy with the help of production possibility curve.

Production possibility curve :

MAR-2019

The Problem of choice between relatively scarce commodities due to limited resources can be illustrated with the help of a geometric device, is known as production possibility curve.

Basic problems of the Economy :



i) The problem of choice :

1. The problem of choice arise because of the given limited resources and unlimited wants.
2. It may be related to the allocation of resources between people of different standards.
3. Since PPC is the locus of the combination of the goods the problem of choice will not arise.

ii) The Notion of scarcity :

1. We can explain the notion of scarcity with the help of PPC.
2. Every society possesses only a specific amount of resources, which can produce only limited amount of output even with the help of best technology.
3. The PPC reflects the constraints imposed by the element of economic scarcity.

iii) Solution of central problems :

1. The central problems of an economy can be explained with the help of PPC.
2. The solution for what to produce involves the decision regarding the choice of location on the production possibility curves.
3. A production combination represented by any point inside the PPC indicates that the economy is using inefficient methods of production and combination of resources.

Part II – Additional Questions

Part-A. I. Match the following and choose the answer using the codes given below (1 Mark)

1.	a	Adam Smith	1	Nature and significance of economic science
	b	Alfred Marshall	2	Net economic welfare

c	Robbins	3	Principles of Economics
d	Samuelson	4	Wealth of nations

- a. 3 4 2 1 b. 1 2 3 4 c. 4 2 3 1 d. 2 4 3 1

Ans: a) 3 4 2 1

2.

a	Goods	1	Man-made
b	Services	2	Nature
c	Free good	3	Tangible
d	Consumer good	4	Intangible

- a. 1 2 3 4 b. 2 4 3 1 c. 4 3 1 2 d. 3 4 2 1

Ans: c) 4 3 1 2

II. Choose the best options

1. Alfred Marshall renamed “Political Economy” as “Economics” in
 a. 18th century b. 19th century c. 20th century d. 21st century
 Ans: b) 19th century
2. Adam Smith wrote “Wealth of Nations” in
 a. 1723 b. 1890 c. 1776 d. 1932
 Ans: c) 1776
3. Alfred Marshall wrote “Principles of Economics” in
 a. 1776 b. 1890 c. 1776 d. 1932
 Ans: b) 1890
4. Lionell Robbins book, “An essay on the nature and significance of economic science” was published in
 a. 1932 b. 1776 c. 1723 d. 1890
 Ans: a) 1932
5. Examples for perishable goods
 a. Television, Furnishers b. Fish, Fruits, Flowers
 c. Table, Chair d. Vehicles, Capital goods
 Ans: b) Fish, Fruits, Flowers
6. _____ is the unit of measurement of utility.
 a. Price b. Utils c. Consumption d. Human wants
 Ans: b) Utils
7. The value of goods expressed in money terms is _____
 a. Price b. Revenue c. Market d. Cost
 Ans: a) Price
8. “The proportion of total expenditure incurred on food items declines as total expenditure goes on increasing” is

- a. Marshall's law
c. Engel's law
- b. Adam Smith's law
d. Samuelson's law

Ans: c) Engel's law

9. _____ is the assumption in economics that makes the economic laws hypothetical

- a. Other things remaining the same
c. Money remaining the same
- b. Time remaining the same
d. Wants remaining the same

Ans: a) Other things remaining the same

10. Utility can be measured indirectly using the 'Measuring rod of money' is the statement of

- a. Adam Smith
b. Samuelson
c. Marshall
d. Lionel Robbins

Ans: c) Marshall

11. Who defined "Economics as the science of wealth" ? **MAR-2019**

- a. Karl Marx
c. Max Muller
- b. Paul A. Samuelson
d. Adam Smith

Ans: d) Adam Smith

III. Choose the correct statement :

1. a. Utility is equal to usefulness
c. Utility is a objective concept
d. Utility has no ethical or moral significance
- b. Utility is same as pleasure

Ans: d) Utility has no ethical or moral significance

2. a. Consumption is the result of co-ordination of factors of production
b. Macro Economics is the obverse of micro Economics
c. Macro Economics is called as price theory
d. production studies about the pricing of factors of production

Ans: b) Macro Economics is the obverse of micro Economics

IV. Choose the incorrect pair :

1. a	Micro Economics	-	Value theory
b	Macro Economics	-	Income theory
c	International Economics	-	Happiness index
d	Public finance	-	Financial Administration

Ans: c) International Economics - Happiness index

2. a	Adam Smith	-	Classical era
b	Marshall	-	Neo classical era
c	Robbins	-	New age
d	Samuelson	-	Old age

Ans: d) Samuelson - Old age

V. Choose the odd one out :

1. a. Form utility
c. Time utility
- b. Place utility
d. Total utility
- Ans: d) Total utility**
-
2. a. Net economic welfare
c. Welfare definition
- b. Wealth definition
d. Scarcity definition
- Ans: a) Net economic welfare**

VI. Choose the correct pair:

1.

a	International economics	-	Public investment
b	Health economics	-	Drug price control
c	Developmental economics	-	Ecology and environment
d	Environment economics	-	Human development index

Ans: b) Health economics - Drug price control

2.

a	Equilibrium	-	Keyres
b	Utils	-	Marshall
c	Ragnar frisch	-	England
d	Neo-classical school	-	Adam smith

Ans: b) Utils - Marshall

VII. Choose the incorrect statement :

1. a. Macro economics is concerned with the economy as a whole
b. Micro economics is the study of economic actions of individual units
c. Health economics is an area of applied economics
d. International economics analyse the inter relationship between economy and environment.
- Ans: d) International economics analyse the inter relationship between economy and environment.**
-
2. a. Economics is an art – A.C. Pigou, Marshall
b. Economics is a science – Robbins, Jordan
c. Economic laws are statement of tendencies – Adam Smith
d. Political economy is said to have strangled itself with definitions – Keynes
- Ans: c) Economic laws are statement of tendencies – Adam Smith**

VIII. Analyse the reason for the following :

1. Assertion (A) : Deductive method derives conclusions from general truth.
Reason (R) : Hypotheses can be verified through direct observation and statistical methods
- Both (A) and (R) are true, (R) is the correct explanation of (A)
 - Both (A) and (R) are true, (R) is not the correct explanation of (A)
 - (A) is true, (R) is false.
 - Both (A) and (R) are false.
- Ans: b) Both (A) and (R) are true, (R) is not the correct explanation of (A)**

2. Assertion (A) : In every society certain choices have to be made.
Reason (R) : Resources are always scarce but wants are numerous.
- Both (A) and (R) are true, (R) is the correct explanation of (A)
 - Both (A) and (R) are true, (R) is not the correct explanation of (A)
 - (A) is true, (R) is false.
 - (A) is false (R) is true.
- Ans: a) Both (A) and (R) are true, (R) is the correct explanation of (A)**

IX. Fill in the blanks with suitable option given below :

1. The value of goods expressed in money terms is _____
- Revenue
 - Market
 - Price
 - Cost
- Ans: c) Price**
2. Alfred Marshall wrote "Principles of Economics" in _____
- 1776
 - 1932
 - 1723
 - 1890
- Ans: d) 1890**
3. _____ is the assumption in economics that makes the economic laws hypothetical
- Other things remaining the same
 - Time remaining the same
 - Money remaining the same
 - Wants remaining the same
- Ans: a) Other things remaining the same**

X. Choose the best option :

1. Examples for perishable goods
- Television, furniture
 - Table, chair
 - Fish, fruits, flowers
 - Vehicles, capital goods
- Ans: c) Fish, fruits, flowers**
2. The proportion of total expenditure incurred food items declines as total expenditure goes on increasing is _____
- Marshall's law
 - Samuelson's law
 - Adam smith's law
 - Engel's law
- Ans: d) Engel's law**

3. Utility can be measured indirectly using the 'Measuring rod of money' is the statement of

- a. Marshall b. Samuelson c. Robbins d. Frisch

Ans: a) Marshall

Part – B : XI. Answer the following questions in one or two sentences (2 marks)

1. What are branches of Economics? **GMQ-18**

- i) Consumption, ii) Production, iii) Exchange, iv) Distribution

2. What is scarcity ?

Scarcity is the gap between what people want and what they are able to get.

3. Write a note on Distribution.

Distribution studies about the pricing of factors of production.

4. Explain Value.

Value is the power of a commodity to command other commodities in an exchange.

5. What is Income ?

Income is the amount of monetary or other returns, either earned or unearned, accruing over a period of time.

6. Give the meaning of Inductive method.

Induction is a process in logic facilitative or arriving at an inference, moving from particular to general.

7. Name the kinds of goods ? **Mar-2020**

1. Consumer goods 2.Capital goods 3.Perishable goods 4. Durable goods

Part – C : XII. Answer the following questions in one Paragraph (3 marks)

1. What are the four definitions of economics.

Based on the particular stage of the growth of the subject of economics, the four definitions are presented here.

1. Smith's wealth definition, representing the classical era.
2. Marshall's welfare definition, representing the Neo-classical era.
3. Robbins scarcity definition representing the new age.
4. Samuelson's growth definition representing the modern age.

2. What are the major implications of Samuelson's growth definition ?

1. Like Robbins, Samuelson states that the means which have alternative uses are scarce in relation to unlimited ends.
2. His definition is dynamic by including the element of time and it covers the theory of economic growth.
3. This definition is applicable also in a non-monetary, barter economy.
4. His definition covers various aspects like production, distribution and consumption.
5. Samuelson treats economics as a social science.

3. Whether economics is an art or science ? Explain.

1. Economics as an art :

- Art is the practical application of knowledge for achieving particular goals. Economics provides guidance to the solutions to all the economic problems.
- A.C. Pigou, Alfred Marshall and others regard economics as an art.

2. Economics as a science :

- Science is a systematic study of knowledge. Science develops the co-relation between cause and effect based on facts.
- Economics examines the relationship between the cause and effect of the problems. Hence, it is rightly considered as both an art and a science.

4. State the importance of micro economics.

1. To understand the operation of an economy.
2. To provide tools for economic policies.
3. To examine the condition of economic welfare.
4. Efficient utilization of resources.
5. Useful in international trade.
6. Useful in decision making.
7. Optimal resource allocation.
8. Basis for prediction.
9. Price determination.

5. What are the methods of economic analysis ?

There are two types of methods used in economics.

1. Deductive Method :

1. It is also named as analytical or abstract method.
2. It is a process in logic facilitating or arriving at an inference, moving from general to particular.
3. It consists in deriving conclusions from general truths.

2. Inductive method :

- Inductive method is also called as empirical method. It involves the process of reasoning from particular facts to general principle.

In this method, economic generalizations are derived based on

1. Experimentations
2. Observations
3. Statistical methods

- Alfred Marshall has rightly remarked “Inductive and Deductive methods are both needed for scientific thought as the right and left foot are both needed for walking”

Part – D : XIII. Answer the following questions in about a page (5 marks)**1. Explain production possibility curve with diagram.**

The problem of choice between relatively scarce commodities can be illustrated with a help of a geometric device a known as production possibility curve.

Assumptions :

The analysis of production possibility curve is based on certain assumptions :

1. The time period remains constant.
2. Techniques of production are fixed.
3. Only two goods can be produced from the given resources.
4. There is full employment in the economy.
5. Resources of production are fully mobile.
6. The factors of production are given in quantity and quality.
7. The law of diminishing returns operates in production.

Production possibility schedule :

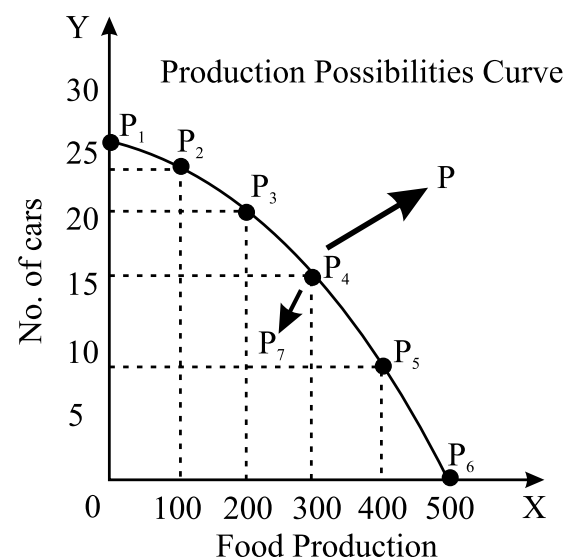
Production Possibilities	Quantity of food production in tons	No. of car produced
I	0	25
II	100	23
III	200	20
IV	300	15
V	400	8
VI	500	0

Explanation :

The above schedule suggests that if all resources are used for food production a maximum of 500 tons of food can be produced, given the existing technology. Instead, if all resources are used for producing cars, 25 cars can be produced. In between these two extreme possibilities exist, if we are willing to give up some food, we can have some cars.

Diagram Explanation :

- The quantity of food is shown on x - axis and the number of cars on y - axis.
- Six different production possibilities $P_1, P_2, P_3, P_4, P_5, P_6$ are shown.
- Point outside the curve P cannot be attained due to limited resources.
- Point inside the curve P_7 can be attained but at these points resources are not fully employed.



2. Explain the types of economics.

1. Micro - Economics :

Micro economics is the study of the economic actions of individual units say households, firms or industries.

2. **Macro - Economics :** Macro economics is concerned with the economy as a whole. It is the study of aggregates such as national output, inflation, unemployment and taxes.
3. **International economics :** No country can grow in isolation, every country is having links with the other countries through foreign capital, investment and international trade.
4. **Public economics :** Public finance is concerned with the income or revenue raising and expenditure incurring activities of the public authorities. It covers public expenditure, Public revenue, public debt and financial administration.
5. **Developmental economics :** The development economics deals with features of developed nations, obstacles for development. Economic and non-economic factors influencing development, various growth models and strategies.
6. **Health economics :** Health economics is an area of applied economics. It covers health indicators, preventive and curative measures, medical research and education. Rural health and budgetary allocation for health etc.
7. **Environmental economics :** Environmental economics analyses the inter relationship between economy and environment. It is a study of inter disciplinary tools for the problems of ecology, economy and environment.

3. Explain the Sub divisions of economics. **MAR-2020** **May-2022**

Consumption :

1. Human wants coming under consumption is the starting point of economic activity.
2. The characteristics of human wants based on the behaviour of the consumer, the law of DMU and consumer's surplus are dealt under consumption.

Production:

1. Production is the process of transformation of inputs into output.
2. This division covers the characteristics and role of the factors of production and the relationship between inputs and output.

Exchange:

1. Exchange is concerned with price determination in different market forms.
2. This division covers trade and commerce.
3. Consumption is possible only if the produced commodity is placed in the hands of the consumer.

Distribution:

1. Distribution studies about the pricing of factors of production.
2. The reward for factors of production is studied in this division under rent, wages, interest and profit.

4. Explain welfare definition with features and criticism. SEP-2020

Alfred Marshall (1842-1924) in his book “Principles of Economics” (1890) defines Economics thus: “Political Economy” or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being. Thus, it is on one side a study of wealth; and on the other, and more important side, a part of the study of man.”

The important features of Marshall’s definition are:

- Economics does not treat wealth as the be-all and end-all of economic activities.
- Man promotes primarily welfare and not wealth.
- The science of Economics contains the concerns of ordinary people who are moved by love and not merely guided or directed by the desire to get maximum monetary benefit.
- Economics is a social science. It studies people in the society who influence one another

Criticism:

- Marshall regards only material things. He does not consider immaterial things, such as the services of a doctor, a teacher and so on.
- They also promote people’s welfare.
- In the theory of wages, Marshall ignores the amount of money that goes as reward for the services of ‘immaterial’ services.
- Marshall’s definition is based on the concept of welfare.
- But it is not clearly defined. Welfare varies from person to person, country to country and one period to another.
- Marshall clearly distinguishes between those things that are capable of promoting welfare of people and those things that are not.
- However, welfare means happiness or comfortable living conditions of an individual or group of people.

GOVT. SUPPLEMENTARY EXAM - MARCH 2023

**Higher Secondary Second Year
ECONOMICS**

Time Allowed : 3.00 Hours

Maximum Marks : 90

PART - I

Note : i) Answer All the questions.

ii) Choose the most appropriate answer from the given four alternatives and write the option code and the corresponding answer. 20 x 1 = 20

1. The first person who used Mathematics in Economics is:

a) Adam Smith	b) Sir William Petty
c) Irving Fisher	d) Giovanni Ceva
2. What is the term used to denote the co-existence of two different features in an economy?

a) Dualism	b) Technology
c) Inequality	d) Dependency
3. Revenue received from the sale of additional unit is termed as _____ revenue.

a) marginal	b) profit
c) total	d) average
4. _____ is known as "Gateway of Tamil Nadu".

a) Thoothukudi	b) Coimbatore
c) Sivakasi	d) Salem
5. The reward for labour is:

a) profit	b) rent
c) interest	d) wage
6. Agricultural Produce Market Committee (APMC) is a _____.

a) Advisory body	b) Statutory body
c) Both (a) and (b)	d) None of the above
7. "The Father of Green Revolution in India" was _____.

a) Visweswaraiah	b) M.S. Swaminathan
c) N.R. Viswanathan	d) Gandhi
8. The population growth rate of the year 1951 is known as _____.

a) year of urbanisation	b) year of small divide
c) year of Great Divide	d) year of Population Explosion
9. Risk bearing theory of profit was propounded by the American economist _____ in 1907.

a) J.B. Clark	b) Frank H. Knight
c) John Rae	d) F.B. Hawley
10. A book seller sold 40 books with the price of Rs. 10 each. The total revenue of the seller is _____.

a) Rs. 300	b) Rs. 100
c) Rs. 400	d) Rs. 200

11. "An Indian farmer is born in debt, lives in debt, dies in debt and bequeaths debt" who said this?
 a) Amartya Sen
c) Sir Malcolm Darling
 b) Adam Smith
 d) Gandhi
12. _____ city is called as "Detroit of Asia".
 a) Salem
b) Chennai
 c) Thirupathur
 d) Coimbatore
13. The relationship between the price of a commodity and the supply of a commodity is:
 a) zero
 b) Negative
 c) Increases
d) Positive
14. Mixed economy means:
 a) Public sectors and banks
 b) Private sectors and banks
 c) Public sector only
d) Co-existence of Public and Private Sectors
15. Given potential price is Rs. 250 and the actual price is Rs. 200. Find the Consumer Surplus.
 a) 200
 b) 375
c) 50
 d) 175
16. Author of "An Inquiry into the Nature and Causes of Wealth of Nations".
 a) Lionel Robbins
 b) Alfred Marshall
 c) Paul A. Samuelson
d) Adam Smith
17. Cobb - Douglas Production Function is based on:
 a) Decreasing returns to scale
b) Constant returns to scale
 c) Increasing returns to scale
 d) All of the above
18. The farmers have access to credit under Kisan Credit Card Scheme the which bank?
 a) Regional Rural Banks
 b) Public Sector Banks
 c) Co-operative Banks
d) All the above
19. The process of reasoning from Particular to General is:
 a) Positive economics
 b) Deductive method
 c) Normative economics
d) Inductive method
20. Equilibrium condition of a firm is:
 a) $MC < MR$
b) $MC = MR$
 c) $MR = Price$
 d) $MC > MR$

PART - II

Answer any seven questions. Question No. 30 is Compulsory.

7 × 2 = 14

21. What are Giffen Goods? Why it is called like that? **Chapter-2**
22. What are the reasons for upward sloping supply curve? **Chapter-2**
23. What is meant by Sunk cost? **Chapter-4**
24. Draw Demand Curve of a firm for the following: **Chapter-5**
 a) Perfect Competition b) Monopoly

25. State any two features of a developed economy. **Chapter-7**
26. Name the different types of land tenure systems that existed in India before Independence. **Chapter-8**
27. State the various components of Central Government schemes under post - harvest measures. **Chapter-9**
28. What are the nuclear power plants in Tamil Nadu? **Chapter-11**
29. What are the main features of MS Word? **Chapter-12**
30. Write about National Rural Health Mission. **Chapter-10**

PART - III**Answer any seven questions. Question No. 40 is Compulsory.****7x3=21**

31. Explain the scarcity definition of Economics and assess it. **Chapter-1**
32. Distinguish between extension and contraction of demand. **Chapter-2**
33. What are the factors governing elasticity of supply? **Chapter-3**
34. Define opportunity cost and provide an example. **Chapter-4**
35. Differentiate between 'firm and industry'. **Chapter-5**
36. What are the motives of demand for money? **Chapter-6**
37. Write a short note on Village Sarvodaya. **Chapter-7**
38. What is GST? Write its advantages. **Chapter-9**
39. List out the objectives of MUDRA Bank. **Chapter-10**
40. Explain about DMP model. **Chapter-10**

PART - IV**Answer all the questions.****7 x 5 = 35**

41. a) Elaborate the nature and scope of Economics. **Chapter-1**
- (OR)**
- b) Explain the Public Transport system in Tamil Nadu. **Chapter-11**
42. a) 'The features of Rural Economy are peculiar' - Discuss. **Chapter-2**
- (OR)**
- b) Explain the Law of Demand and its exceptions. **Chapter-2**
43. a) Explain the properties of iso - quants with the help of a diagram. **Chapter-3**
- (OR)**
- b) Explain the objectives and characteristics of Special Economic Zones (SEZ). **Chapter-9**
44. a) Describe the performance of Five Year Plans in India. **Chapter-8**
- (OR)**
- b) Explain the relationship between AR and MR curves under various price conditions. **Chapter-4**

*Loyola*EC-11th Economics45. a) Explain the features of Perfect Competition. **Chapter-5****(OR)**b) Write a detailed note on the Gandhian economic ideas. **Chapter-7**46. a) Explain the Keynesian Theory of Interest. **Chapter-6****(OR)**b) What are the ideas of Information and Communication Technology used in Economics?
Chapter-1247. a) Find the value of x and y in the equations by using Cramer's rule $x + 3y = 1$ and $3x - 2y = 14$.
Chapter-12**(OR)**b) Briefly explain the Large Scale Industries. **Chapter-8**