**Vnr11Eco**

**Virudhunagar District**
**Common Half Yearly Examination - December 2023**

## Standard 11

Time Allowed: 3.00 Hours     **ECONOMICS**     Maximum Marks: 90

### PART - A

**Answer all questions.**

**I. Choose the correct answer:**      **20×1=20**

1) Author of "An Inquiry into the Nature and Causes of Wealth of Nations".
   a) Alfred Marshall      b) Adam Smith
   c) Lionel Robbins      d) Paul A. Samuelson

2) Which theory is generally included under micro economics?
   a) Price Theory      b) Income Theory
   c) Employment Theory      d) Trade Theory

3) Indifference curve approach is based on
   a) Ordinal approach      b) Cardinal approach
   c) Subjective approach      d) Psychological approach

4) The movement on or along the given demand curve is known as _____.
   a) Extension and contraction of demand    b) Shifts in the demand
   c) Increase and decrease in demand      d) All the above

5) The primary factors of production are
   a) Labour and Organisation      b) Labour and Capital
   c) Land and Capital      d) Land and Labour

6) Product obtained from additional factors of production is termed as
   a) Marginal product      b) Total product
   c) Average product      d) Annual product

7) The cost that varies with the level of output is termed as _____ cost.
   a) money      b) variable cost      c) total cost      d) fixed cost

8) A book seller sold 40 books with the price of ₹ 10 each. The total revenue of the seller is ₹ _____.
   a) 100      b) 200      c) 300      d) 400

9) Profit of a firm is obtained when _____.
   a) TR < TC      b) TR – MC      c) TR > TC      d) TR = TC

10) Under perfect competition, the shape of demand curve of a firm is _____.
    a) Vertical      b) Horizontal
    c) Negatively sloped      d) Positively sloped

11) The Classical Theory of Rent was propounded by
    a) Ricardo      b) Keynes      c) Marshall      d) Walker

12) Lonable Funds Theory of Interest is called
    a) Classical Theory      b) Modern Theory
    c) Traditional Theory      d) Neo-Classical Theory

13) The main gold mine region in Karnataka is _____.
    a) Kolar      b) Ramgiri      c) Anantpur      d) Cochin

14) Density of population =
    a) Land area / Total population      b) Land area / Employment
    c) Total population / Land area of the region
    d) Total population / Employment

15) The objective of the Industrial Policy 1956 was _____.
    a) Develop heavy industries      b) Develop agricultural sector only
    c) Develop private sector only      d) Develop cottage industries only

16) The main theme of the Twelth Five Year Plan
    a) faster and more inclusive growth
    b) growth with social justice
    c) socialistic pattern of society
    d) faster, more inclusive and sustainable growth

17) The new economic policy is concerned with the following
    a) foreign investment      b) foreign technology
    c) foreign trade      d) all the above

18) Identify the year of launch of MUDRA Bank?
   a) 1995      b) 2000      c) 2010      d) 2015 ✓
19) Which Union Territory has the highest sex ratio?
   a) Chandigarh      b) Pondicherry      c) Lakshadeep    d) Andaman Nicobar
20) Differentiation of $x^n$ is
   a) $nx^{(n-1)}$ ✓      b) $nx^{(n+1)}$      c) zero      d) one

## PART - B

**II. Answer any seven questions:**          7×2=14
**Question number 30 is compulsory.**

21) What are the degrees of price elasticity of demand?
22) What are conditions for producer's equilibrium?
23) What do you mean by fixed cost?
24) Define market.
25) What is meant by distribution?
26) State any two features of developed economy.
27) What is the difference between HDI and PQL?
28) What are the nuclear power plants in Tamil Nadu?
29) State the meaning of privatization.
30) If 62 = 34+4x what is x?

## PART - C

**III. Answer any four questions:**          7×3=21
**Question number 40 is compulsory.**

31) Distinguish between microeconomics and macroeconomics.
32) Mention the relationship between marginal utility and the total utility.
33) State the Cobb-Douglas production function.
34) Write a short note on marginal revenue.
35) State meaning of selling cost? With an example.
36) State the dynamic theory of profit.
37) Write a short note on village Sarvodhaya.
38) State the reasons for nationalization of commercial banks.
39) Describe development of textile industry in Tamil Nadu.
40) Mention the features of SHGs.

## PART - D

**IV. Answer all questions:**          7×5=35

41) a) Compare and contrast various definitions of Economics.
   **(OR)**
   b) Explain the law of demand and its expectations.
42) a) Elucidate the law of diminishing marginal utility with diagram.
   **(OR)**
   b) Examine the law of variable proportions with the help of diagram.
43) a) Discuss the short run cost curve with suitable diagram.
   **(OR)**
   b) Bring out the relationship between AR and MR curve under various price conditions?
44) a) Illustrate price and output determination under Monopoly.
   **(OR)**
   b) Illustrate the Ricardian theory of rent.
45) a) Write a brief note on the Gandhian and economic ideas.
   **(OR)**
   b) Discuss about the Indian economy during British period.
46) a) Explain the objectives and characteristics of SEZs.
   **(OR)**
   b) Discuss the problems of rural economy.
47) a) Explain the public transport system in TamilNadu.
   **(OR)**
   b) What are the ideas of Information and Communication Technology used in economics?

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## HALF-YEARLY EXAMINATION ANSWER KEY-2023

**GRADE: XI**          **ECONOMICS**          **MARKS: 90**

| 1. | b)Adam smith | 11. | a)Ricardo |
|---|---|---|---|
| 2. | a)Price theory | 12. | d)Neo-classical theory |
| 3. | a)Ordinal approach | 13. | a)Kolar |
| 4. | a)Extension and contraction | 14. | c)Total population/ Land area of the region |
| 5. | d) Land and Labour | 15. | a)Develop Heavy industries |
| 6 | a)Marginal product | 16. | d)Faster,more inclusive and sustainable growth |
| 7. | b)Variable cost | 17. | d)All the above |
| 8. | d) 400 | 18. | d)2015 |
| 9. | c)TR≥ TC | 19. | b)Pondicherry |
| 10 | b)Horizontal | 20. | a)$nx^{(n-1)}$ |

### PART-B

**II)ANSWER ANY SEVEN OF THE FOLLOWING QUESTIONS:          7X2=14**

**Q.NO 30 IS COMPULSORY**

21) **What are the degrees of price elasticity of Demand?**

    1. **Perfectly Elastic Demand (Ep = ∞)**

    2. **Perfectly Inelastic Demand (Ep =0)**

    3. **Relatively Elastic Demand (Ep>1)**

    4. **Relatively Inelastic Demand**

    5. **Unitary Elastic Demand**

22) **What are conditions for producer's equilibrium?**

➢ **The iso-cost line must be tangent to iso-quant curve.**
➢ **At point of tangency, the iso-quant curve must be convex to the origin or MRTSLk must be declining.**

23) **What do you mean by fixed cost?**

**Fixed Cost does not change with the change in the quantity of output.**
➢ **□ In other words, expenses on fixed factors remain unchanged irrespective of the level of ot  the output is increased or decreased.**

24. **Define Market.**

★     **In Economics, the term „market" refers to a system of exchange between the buyers and the sellers of a commodity.**

**25) What is meant by distribution?**

(i) Distribution means division of income among the four factors of production.

(ii) In terms of rent to landlords, wage to labourer, interest to capital and profit to entrepreneurs.

**26) State any two features of developed economy.**

(i) High National Income          (iii) High Standard of Living

(ii) High Per Capita Income          (iv) Full Employment of Resources

**27) What is the difference between HDI and PQLI?**

| Human Development Index (HDI) | Physical Quality of Life Index (PQLI) |
|---|---|
| HDI was developed by Mahbubul Haq and Amartya Kumar Sen. | PQLI was developed by Morris D Morris. |
| It is constructed based on Life Expectancy Index, Education Index and GDP Per Capita. | It is a measure to calculate the quality of life (well being of a country). |

**28)What are the nuclear power plants in Tamilnadu**

★ The Kalpakkam Nuclear Power Plant and the Koodankulam Nuclear Power Plant are the major nuclear energy plants for the energy grid.

**29) State the meaning of Privatization.**

(i) Privatization means transfer of ownership and management of enterprises from public sector to private sector.

(ii) Denationalization, disinvestment and opening exclusive public sector enterprises to private sector are the gateways to privatization.

**30)If 62= 34+4x what is x?**

$$4x=62-34$$

$$=28$$

$$=28/4=7$$

# PART-C

**III)ANSWER ANY SEVEN OF THE FOLLOWING QUESTIONS:**          **7X3=21**

**Q.NO 40 IS COMPULSORY**

**31)    Distinguish between micro economics and macro economics**

| Micro Economics | Macro Economics |
|---|---|
| Micro Economics deals economic decision- making of individual economic agents. | Macro Economics deals aggregates and averages of the entire economy. |
| It takes into account small components of the whole economy. | It takes into consideration the economy of the country as a whole. |
| It deals with the process of price determination in case of individual products and factors of production. | It deals with general price - level in any economy. |
| It is known as price theory. | It is known as the income theory. |
| 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. |

**32) Mention the relationship between marginal utility and total utility.**

➢ Total Utility refers to the sum of utilities of all units of a commodity consumed.
➢ Marginal Utility is the addition made to the total utility by consuming one more unit of a commodity.

   **MUn = TUn - TU n-1**

| | Marginal Utility | Total Utility |
|---|---|---|
| (i) | Declines | Increases |
| (ii) | Reaches zero | Reaches maximum |
| (iii) | Becomes negative | Declines |

**33)State the Cobb-Douglas Production Function.**
• Cobb-Douglas Production Function is a specific standard equation applied to describe how much output can be made with capital and labour inputs.
• The Cobb-Douglas production function can be expressed as follows.
• **Q = AL α Kß**

- **Where, Q = output; A = positive constant; K = capital; L = Labor α and β are**
- **positive fractions showing, the elasticity coefficients of outputs for the inputs**
- **labor and capital, respectively.**
- **(α + ß) =1, constant returns to scale.**
- **(α + ß) <1, diminishing returns to scale.**
- **(α + ß) >1, increasing returns to scale.**

## 34)write a note on Marginal revenue

(i) Marginal revenue (MR) is the addition to the total revenue by the sale of an additional unit of a commodity.

(ii) MR can be found out by dividing change in total revenue by the change in quantity sold out.

$$MR = \frac{\Delta TR}{\Delta Q}$$

MR denotes Marginal Revenue   $\Delta TR$ denotes change in Total Revenue $\Delta Q$ denotes change in total quantity

iii)The other method of estimating MR is:

$$MR = TR_n - TR_{n-1} \quad \textbf{(or)} \quad TR_{n+1} - TR_n$$

Where,   MR denotes Marginal Revenue

$TR_n$ denotes total revenue of $n^{th}$ item

$TR_{n-1}$ denotes Total Revenue of n-1$^{th}$

item $TR_{n+1}$ denotes Total Revenue of

If TR = PQ   MR = $\Delta TR/\Delta Q$ = P, which is equal to AR.

n+1$^{th}$ item

35)State the meaning of selling cost with an example.

(i) Selling Cost is the discussion of "Product differentiation", we can infer that the producer

under monopolistic competition has to incur expenses to popularize his brand.

(ii) This expenditure involved in selling the product is called selling cost.

(iii) According to Prof. Chamberlin, Selling cost is "The cost incurred in order to alter the position or shape of the demand curve for a product".

(iv) Most important form of selling cost is advertisement.

## 36) State the Dynamic Theory of Profit.

(i) **Dynamic Theory of Profit was propounded by the American economist J.B.Clark in 1900.**

(ii) **To him, profit is the difference between price and cost of production of the commodity.**

(iii)  Hence, profit is the reward for dynamic changes in society.

(iv)  Further he points out that, profit cannot arise in a static society.

(v)  Static society is one where everything is stationary or stagnant and there is no change at all.

❖ According to Clark, the following five main changes are taking place in a dynamic society.

(a)  Population is increasing.

(b)  Volume of Capital is increasing.

(c)  Methods of production are improving.

(d)  Forms of industrial organization are changing.

(e)  The wants of consumer are multiplying.

## 37) Write a short note on village sarvodhaya.

(i)  According to Gandhi, "Real India was to be found in villages and not in towns or cities."

(ii)  So he suggested the development of self sufficient, self dependent villages.

## 38) State the reasons for nationalization of commercial banks.

(i)  The main objective of nationalisation was to attain social welfare.

(ii)  Nationalisation of banks helped to curb private monopolies.

(iii)  Nationalisation of banks needed to encourage the banking habit among the rural population.

(iv)  Nationalisation of banks was required to reduce the regional imbalances.

(v)  Banks created credit facilities mainly to the agriculture sector after nationalization.

## 39) Describe development of textile industry in Tamil Nadu.

(i)  Tamil Nadu is the largest textile hub of India.

(ii)  Tamil Nadu is known as the "Yarn Bowl" of the country accounting for 41% of India's cotton yarn production.

(iii)  The textile industry plays a significant role in the Indian economy by providing direct employment to an estimated 35 million people.

(iv)  There by contributing 4% of GDP and 35% of gross export earnings.

(v)  The textile sector contributes to 14% of the manufacturing sector.

## 40) Mention the features of Self-Help Groups (SHGs).

(i)  Self-Help Groups is generally an economically homogeneous group formed through a process of self-selection based upon the affinity of its members.

(ii)  Most SHGs are women's groups with membership ranging between 10 and 20.

(iii)  SHGs have well-defined rules and by-laws, hold regular

meetings and maintain records and savings and credit discipline.

(iv) SHGs are self-managed institutions characterized by participatory and collective decision making.

# PART-D

**IV.ANSWER ALL THE QUESTIONS                               7X5=35**

**41)a) Compare and contrast various definitions of Economics.**

**1.Wealth Definition: Adam Smith**
   ☐ Adam Smith defines ―Economics as the science of wealth‖.
   ☐ He states that every man is motivated by his self interest.

**2.Welfare Definition: Alfred Marshall**
   ☐ Alfred Marshall in his book ―Principles of Economics‖ defines Economics thus:
   ―Political Economy‖ or Economics is a study of mankind in the ordinarybusiness 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.‖

**3.Scarcity Definition: Lionel Robbins**

   • Lionel Robbins published a book ―An Essay on the Nature and Significance of
Economic Science‖ .
   • According to him, ―Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses‖.

**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.

**41)b) Explain the law of demand and its exceptions.**
   The Law of Demand says as ―the quantity demanded increases with a fall in price and diminishes with a rise in price‖.–Marshall

**Assumptions of Law of Demand**
1. The income of the consumer remains constant.
2. The taste, habit and preference of the consumer remain the same.
3. The prices of other related goods should not change.
4. There should be no substitutes for the commodity in study.

**5. The demand for the commodity must be continuous.**
**6. There should not be any change in the quality of the commodity.**
**Demand Schedule**

| Price | Quantity Demanded |
|-------|-------------------|
| 5     | 1                 |
| 4     | 2                 |
| 3     | 3                 |
| 2     | 4                 |
| 1     | 5                 |

**Explanation**
- ➢ ☐ The law of demand explains the relationship between the price of a commodity and the quantity demanded of it.
- ➢ This law states that quantity demanded of a commodity expands with a fall in
- ➢ price and contracts with a rise in price.
- ➢ ☐ In other words, a rise in price of a commodity is followed by a contraction
- ➢ demand and a fall in price is followed by extension in demand.
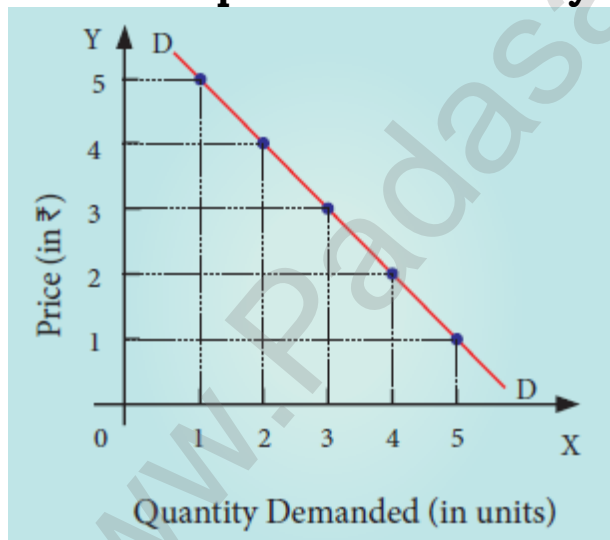


**Demand Curve**
- ➢ In the diagram, X axis represents the quantity demanded and Y axis represents the price of the commodity.
- ➢ DD is the demand curve, which has a negative slope i.e., slope downward from left to right which indicates that when price falls, the demand expands and when price rises, the demand contracts.
- ➢ Exceptions to the law of demand
- ➢ Normally, the demand curve slopes downwards from left to right.
- ➢ But there are some unusual demand curves which do not obey the law and thereverse occurs.
- ➢ A fall in price brings about a contraction of demand and a rise in price results in an extension of demand. Therefore the demand curve slopes upwards from left to right. It is known as exceptional demand curve.
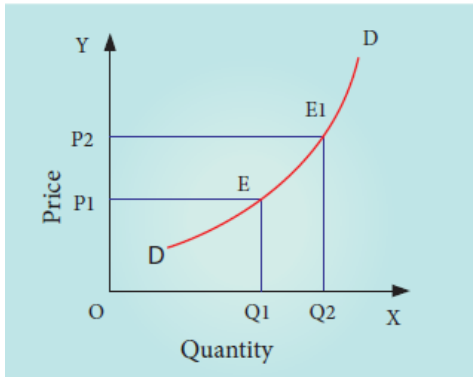
**42)b) Examine the Law of Variable Proportions with the help of a diagram.**

> ☐ The law states that if all other factors are fixed and one input is varied in the short run, the total output will increase at an increasing rate at first instance, be constant at a point and then eventually decrease.
>
> According to G.Stigler, —As equal increments of one input are added, the inputs of other productive services being held constant, beyond a certain point, the resulting increments of product will decrease, i.e., the marginal product will diminish‖.

**Assumptions**

1. Only one factor is variable while others are held constant.
2. All units of the variable factor are homogeneous.
3. The product is measured in physical units.
4. There is no change in the state of technology.
5. There is no change in the price of the product
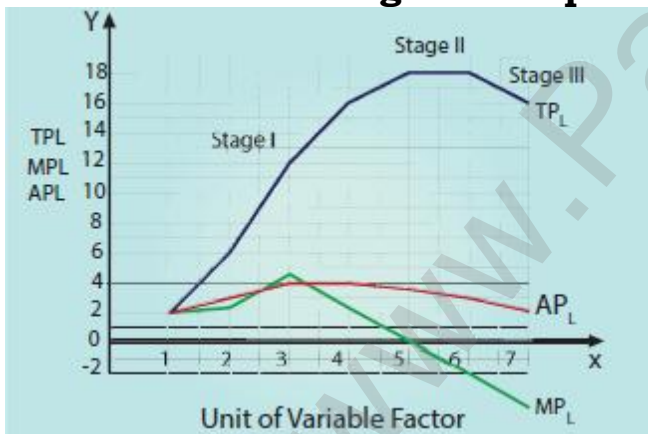
| Units of variable factor (L) | Total Product (TP$_L$) | Marginal Product (MP$_L$) | Average Product (AP$_L$) | Stages |
|---|---|---|---|---|
| 1 | 2 | 2 | 2 | I |
| 2 | 6 | 4 | 3 | I |
| 3 | 12 | 6 | 4 | I |
| 4 | 16 | 4 | 4 | II |
| 5 | 18 | 2 | 3.6 | II |
| 6 | 18 | 0 | 3 | II |
| 7 | 16 | -2 | 2.28 | III |

**Stage I**

> ➤ In the first stage MPL increases up to third labourer and it is higher than the average product, so that total product is increasing at an increasing rate.
> ➤  The tendency of total product to increase at an increasing rate stops at the point
> ➤ A and it begins to increase at a decreasing rate.
> ➤ This point is known as ‗Point of Inflexion'.

**Stage II**

> ➤ In the second stage, MPL decreases up to sixth unit of labour where MPL curve intersects the X-axis. At fourth unit of labor MPL = APL. After this, MPL curve is lower than the APL. TPL increases at a decreasing rate.
> ➤ Stage III
> ➤ Third stage of production shows that the sixth unit of labour is marked by

negative MPL, the APL continues to fall but remains positive.

> ➤ After the sixth unit, TPL declines with the employment of more units of variable factor, labour.

**43b)Bring out the relationship between AR and MR curves under various price conditions.(90,91)**

### Average Revenue

Average revenue is the revenue per unit of the commodity sold. It is calculated by dividing the total revenue by the number of units sold.
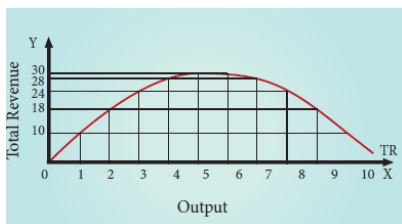
$$AR = TR / Q$$

### Marginal Revenue

Marginal Revenue is the addition made to the total revenue by selling one more unit of a commodity.

$$MR_n = TR_n - TR_{n-1}$$

**Constant AR and MR (at Fixed Price)**

| sold (Q) | (P) | (TR) |
|----------|-----|------|
| 1 | 10 | 10 |
| 2 | 9 | 18 |
| 3 | 8 | 24 |
| 4 | 7 | 28 |
| 5 | 6 | 30 |
| 6 | 5 | 30 |
| 7 | 4 | 28 |
| 8 | 3 | 24 |
| 9 | 2 | 18 |
| 10 | 1 | 10 |



**Declining AR and MR (at declining Price)**

AR, TR, MR at declining price

| Quantity Sold (Q) | Price (P)/ Average Revenue (AR) ₹ | Total Revenue (TR) ₹ | Marginal Revenue (MR) ₹ |
|---|---|---|---|
| 1 | 10 | 10 | - |
| 2 | 9 | 18 | 8 |
| 3 | 8 | 24 | 6 |
| 4 | 7 | 28 | 4 |
| 5 | 6 | 30 | 2 |
| 6 | 5 | 30 | 0 |
| 7 | 4 | 28 | -2 |
| 8 | 3 | 24 | -4 |
| 9 | 2 | 18 | -6 |
| 10 | 1 | 10 | -8 |

# TR, AR, MR and Elasticity of Demand

The relationship among AR, MR and elasticity of demand (e) is stated as follows.

MR = AR ( e-1/e)

The relationship between the AR curve and MR curve depends upon the elasticity of AR curve (AR = DD = Price).

a. When price elasticity of demand is greater than one, MR is positive and TR is increasing.

b. When price elasticity of demand is less than one, MR is negative and TR is decreasing.

c. When price elasticity of demand is equal to one, MR is equal to zero and TR is maximum and constant
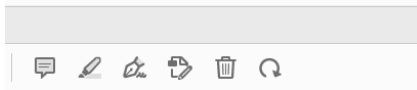
**Table 4.12** TR, AR, MR & Elasticity

| Quan-tity (Q) | Price (P) | TR | AR | MR | Elasticity |
|---|---|---|---|---|---|
| 0 | 11 | 0 | 11 | - | |
| 1 | 10 | 10 | 10 | 10 | |
| 2 | 9 | 18 | 9 | 8 | |
| 3 | 8 | 24 | 8 | 6 | e > 1 |
| 4 | 7 | 28 | 7 | 4 | |
| 5 | 6 | 30 | 6 | 2 | |
| 6 | 5 | 30 | 5 | 0 | e = 1 |
| 7 | 4 | 28 | 4 | -2 | |
| 8 | 3 | 24 | 3 | -4 | |
| 9 | 2 | 18 | 2 | -6 | e < 1 |
| 10 | 1 | 10 | 1 | -8 | |
| 11 | 0 | 0 | 0 | -10 | |



Diagram 4.14
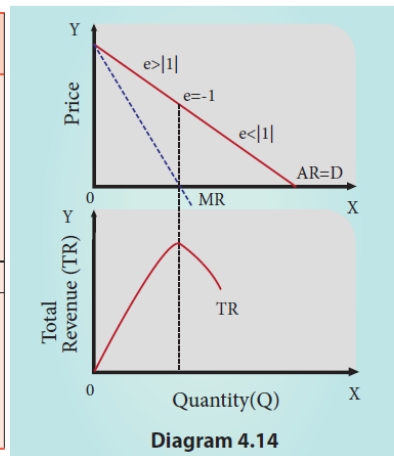
## 42)a)Elucidate the law of diminishing marginal utility with diagram.(27,28,29)

### The Law of Diminishing Marginal Utility (DMU)

### Introduction

H.H.Gossen, an Austrian Economist was the first to formulate this law in Economics in 1854. Therefore, Jevons called this law as "Gossen's First Law of Consumption".

Definition

Marshall states the law as, "the additional benefit which a person derives from a given increase of his stock of a thing, diminishes with every increase in the stock that he already has".

### Assumption

1. Utility can be measured by cardinal number (Eg:1,2, 3..)
2. The marginal utility of money remains constant.
3. The consumer should be a rational consumer
4. The units of the commodity must be reasonable in size.
5. The commodity consumed should be homogeneous

**Table 2.1 The Law of Diminishing Marginal Utility**

| Units of Apple | Total Utility | Marginal Utility |
|---|---|---|
| 1 | 20 | 20 |
| 2 | 35 | 15 (35-20) |
| 3 | 45 | 10 (45-35) |
| 4 | 50 | 5 (50-45) |
| 5 | 50 | 0 (50-50) |
| 6 | 45 | -5 (45-50) |
| 7 | 35 | -10(35-45) |



Diagram 2.1
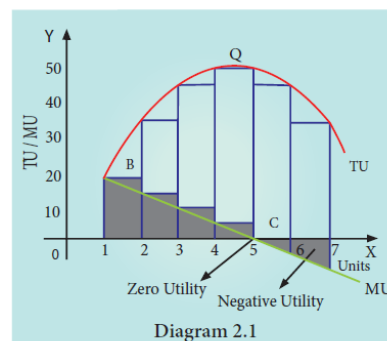
❖ The Law of Diminishing Marginal Utility states that if a consumer continues to

consume more and more units of the same commodity, its marginal utility diminishes.

❖ This means that the more we have of a thing, the less is the satisfaction or utility that we derive from the additional unit of it.

## Criticisms

  1. Utility cannot be measured numerically, because utility is subjective.

  2. This law is based on the unrealistic assumptions.

  3. This law is not applicable to indivisible commodities

Exceptions to the Law

  1. Hobbies 2. Drunkards 3. Misers

  4. Music and Poetry and 5. Readings

  Importance or Application of

## 44)a)Explain price and output determinded under monopolistic competition with help of diagram.(110)

## Price and Output

## Determination under Monopolistic Competition

The firm under monopolistic competition achieves its equilibrium when it's MC = MR, and when its MC curve cuts its MR curve from below. If MC is less than MR, the sellers will find it profitable to expand their output.

Under monopolistic competition

  1)The demand curve is downwards sloping.

  2) There are close substitutes.

  3) The demand curve (the averagerevenue curve) is fairly elastic.

Under monopolistic competition, different firms produce different varieties of the product and sell them at different prices.

## Each firm under monopolistic competition seeks to achieve equilibrium as regards

1. Price and output, 2. Product adjustmentand 3. selling cost adjustment



Diagram 5.8



Diagram 5.9
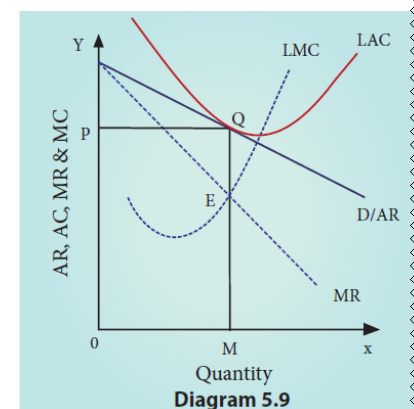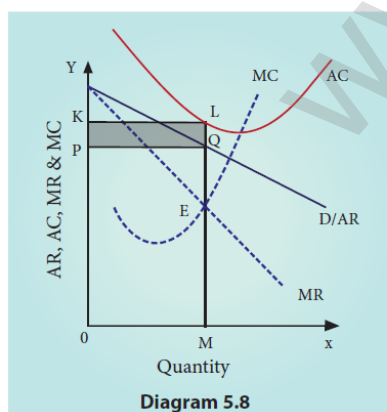
## Short-run equilibrium:

❖ The profit maximisation is achieved when MC=MR.'OM' is the equilibrium output.

❖ 'OP' is the equilibrium price.
❖ The total revenue is 'OMQP'. And the total cost is 'OMRS'.
❖ Therefore, total profit is 'PQRS'. This is supernormal profit under short-run.

## As shown in the diagram, the AR and MRcurves are fairly elastic.

The equilibrium situation occurs at point 'E', where MC = MR and MC cuts MR from below.
The equilibrium output is OM and the equilibrium price is OP.
The total revenue of the firm is 'OMQP' and the total cost of the firm is 'OMLK' and thus the total loss is 'PQLK'.
This firm incurs loss in the short run.



Diagram 5.7
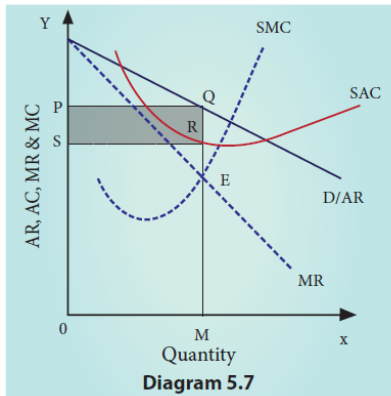
## Long-Run Equilibrium of the Firm and the Group Equilibrium

❖ In the short run a firm under normal profit or incur loss.
❖ But in the long run, the entry of the new firms in the industry will wipe out the super normal profit earned by the existing firms.
❖ The entry of new firms and exit of loss making firms will result in normal profit for the firms in the industry.
❖ In the long run AR curve is more elastic or flatter, because plenty of substitutes are available.
❖ Hence, the firms will earn only normal profit.
❖ In the diagram equilibrium is achieved at point 'E'.
❖ The equilibrium output is 'OM' and the equilibrium price is 'OP'.
❖ The average revenue at the equilibrium output is 'MQ' and the average cost is also 'MQ'.
❖ Thus, in the long run under monopolistic competition, there is equilibrium when AR=AC and MC=MR.
❖ It means that a firm earns normal profit.
❖ AR is tangent to the Long Run Average Cost (LAC)curve at point 'Q'.

## 44)b)Illustrate the Ricardian Theory of Rent.

➤ **The Classical Theory of Rent is called "Ricardian Theory of Rent".**

### Rent

➤ **"Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil".**

### Assumptions

(i)    Land differs in fertility.

(ii)   The law of diminishing returns operates in agriculture.

(iii)  Rent depends upon fertility and location of land.

(iv)   Theory assumes perfect competition.

(v)    It is based on the assumption of long period.

(vi)   There is existence of marginal land or no-rent land.

(vii)  Land has certain original and indestructible powers.

(viii) Land is used for cultivation only.

(ix)   Most fertile lands are cultivated first.

## Statement of the Theory with Illustration

★ Assume that some people go to a newly discovered island and settle down there.

★ There are three grades of land, namely A, B and C in that island.

★ „A" being most fertile, „B" less fertile and „C" the least fertile.

## „A" Grade Land

(i)   They will first cultivate all the most fertile A grade land.

(ii)  Given a certain amount of labour and capital, the yield per acre on „A" grade land is 40 bags of paddy.

## „B" Grade Land

(i)   Suppose another group of people goes and settles down in the same island after some time.

(ii)  They cultivate „B" grade less fertile land and the yield per acre is 30 bags of paddy.

(iii) The surplus of 10 bags [40-30] per acre appears on „A" grade land.

(iv)  This is "Economic Rent "of „A" grade land.

## „C" Grade Land

(i)    Suppose yet another group of people goes and settles down in the same island.

(ii)   They cultivate „C" grade least fertile land and the yield per acre is 20 bags of paddy.

(iii)  This surplus of „A" grade land is now raised to 20 bags [40-20].

(iv)   It is the "Economic Rent" of „A" grade land.

(v)    The surplus of „B" grade land is 10 bags [30-20].

(vi)   This is the economic rent of „B" grade land.

(vii)  In „C" grade land, cost of production is just equal to the price of its produce and therefore does not yield any rent (20 - 20).

(viii) Hence, „C" grade land is called "no-rent land or marginal land".

★ **Therefore, rent indicates the differential advantage of the superior land over the marginal land.**

**45)a)** Write a brief note on the Gandhian economic ideas.

Gandhian Economics is based on ethical foundations.

Salient Features of Gandhian Economic Thought

Village Republics

☐ To Gandhi, India lives in villages.

☐ He was interested in developing the villages as self sufficient units.

☐ He opposed extensive use of machinery, urbanization and industrialization.

On Machinery

☐ Gandhi described machinery as „Great sin".

☐ He said that "Books could be written to demonstrate its evils.

☐ It is necessary to realize that machinery is bad.

Industrialism

☐ Gandhi considered industrialism as a curse on mankind.

Decentralization

☐ He advocated a decentralized economy.

☐ That is production at a large number of places on a small scale or production in the people"s homes.

Village Sarvodaya

☐ According to Gandhi, "Real India was to be found in villages.

⟹ He suggested the development of self sufficient, self dependent villages.

(i) Bread Labour

⟹ Gandhi realized the dignity of human labour.

⟹ Bread labour or body labour was the expression that Gandhi used to mean manual labour.

(ii) The Doctrine of Trusteeship

⟹ Trusteeship provides a means of transforming the present capitalist

order of society into an egalitarian one.

(iii)  On the Food Problem

⇨  Gandhi was against any sort of food controls.

⇨  He thought such controls only created artificial scarcity.

(iv) On Population

⇨  Gandhi was in favour of birth control through Brahmacharya or self control.

(v) On Prohibition

⇨  Gandhi advocated cent per cent prohibition.

⇨  He regarded the use of liquor as a disease rather than a vice.

**45)b) Discuss about the Indian economy during British Period.**

## Introduction

(i)  Britain had exploited India over a period of two centuries of its colonial rule.

(ii)  On the basis of the form of colonial exploitation, economic historians have divided the whole period into three phases: namely the period of merchant capital, the period of industrial capital, the period of finance capital.

### I. Period of Merchant Capital

(i)  The period of merchant capital was from 1757 to 1813.

(ii)  The only aim of the East India Company was to earn profit by establishing monopoly trade.

(iii)  During this period, India had been considered as the best hunting ground for capital.

(iv)  The company administration succeeded in generating huge surpluses which were repatriated to England.

### II. Period of Industrial Capital

(i)  The period of Industrial capital was from 1813 to 1858.

(ii)  During this period, India had become a market for British textiles.

(iii)  India's raw materials were exported to England at low price and imported finished textile

commodities to India at high price.

(iv)  India's traditional handicrafts were thrown out of gear.

### III. Period of Finance Capital

(i)  During this period, finance imperialism began to entrench itself

through the managing agency firms, export – import firms, exchange banks and some export of capital.

(ii) Britain decided to make massive investments in various fields in India by plundering Indian capital.

(iii) The poor Indian taxpayers had been compelled to finance for the construction of railways.

IV. Decline of Indian Handicrafts

(i) Through discriminatory tariff policy, the British Government purposefully destroyed the handicrafts.

(ii) Indian handicraft products could not compete with machine-made products.

**46)a)** Explain the objectives and characteristics of SEZs.

Objectives of Special Economic Zones

(i) To enhance foreign investment, especially to attract foreign direct investment (FDI) and thereby increasing GDP.

(ii) To increase shares in Global Export (International Business).

(iii) To generate additional economic activity.

(iv) To create employment opportunities.

(v) To develop infrastructure facilities.

(vi) To exchange technology in the global market.

Characteristics of Special Economic Zones

(i) Geographically demarked area with physical security.

(ii) Administrated by single body/authority.

(iii) Streamlined procedures.

(iv) Having separate custom area.

(v) Governed by more liberal economic laws.

(vi) Greater freedom to the firms located in SEZs.

**46)b)** Discuss the problems of Rural Economy.

(i) People Related Problems

☐ The problems related to individuals and their standard of living consist of illiteracy, lack of technical knowhow, low level of confidence, dependence on sentiments and beliefs etc.

(ii) Agriculture Related Problems

☐ The problems related to agriculture include lack of expected awareness, knowledge, skill and attitude, unavailability of inputs, poor marketing facility, insufficient extension staff and services, small size of land holding and primitive technology.

(iii) Infrastructural Related Problems

☐     Poor infrastructure facilities like, water, electricity, transport, educational institutions, communication, health, employment, storage facility, banking and insurance are found in rural areas.

(iv) Economics related Problems

☐     The economic problems related to rural areas are: inability to adopt high cost technology, high cost of inputs, under privileged rural industries, low income, indebtedness and existence of inequality in land holdings and assets.

(v) Leadership Related Problems

☐     Leadership among the hands of inactive and incompetent people, self-interest of leaders, biased political will, less bargaining power and negation skills and dominance of political leaders.

(vi) Administrative Problems

☐     The rural administrative problems consist of political interference, lack of motivation and interest, low wages in villages, improper utilization of budget, and absence of monitoring and implementation of rural development programme.

1. **47)** Explain the public transport system in Tamil Nadu.

Transport

(i)    Tamil Nadu has a well established transportation system that connects all parts of the State.

(ii)   Tamil Nadu is served by an extensive road network in terms of its spread and quality, providing links between urban centres, agricultural market-places and rural habitations in the country side.

I. Road

(i)    There are 28 national highways in the State, covering a total distance of 5,036 km.

(ii)   The State has a total road length of 167,000 km, of which 60,628 km are maintained by Highways Department.

(iii)  It ranks second in India with a share of over 20% in total road projects under operation in the public-private partnership (PPP) model.

II. Rail

(i)    Tamil Nadu has a well-developed rail network as part of Southern Railway, Head quartered at Chennai.

(ii)   Tamil Nadu has a total railway track length of 6,693 km and there are 690 railway stations in the State.

(iii)  The system connects it with most major cities in India.

(iv)   Main rail junctions in the State include Chennai, Coimbatore, Erode, Madurai, Salem, Tiruchirapalli and Tirunelveli.

III. Air

(i)    Tamil Nadu has four major international airports.

(ii)   Chennai International Airport, Coimbatore International Airport, Madurai International Airport and Tiruchirapalli International Airport.

(iii)  It also has domestic airports at Tuticorin, Salem, and Madurai.

## 47)b)What are the ideas of information and communication technology used in economics?

### Information and Communication Technology (ICT)

★    Information and Communication Technology (ICT) is the infrastructure that enables computing faster and accurate.

❖ The following table gives an idea of range of technologies that fall under the category of ICT.

| S.No | Information | Technologies |
|------|-------------|--------------|
| (i) | Creation | Personal Computers, Digital Camera, Scanner, Smart Phone |
| (ii) | Processing | Calculator, PC, Smart Phone |
| (iii) | Storage | CD, DVD, Pen Drive, Microchip, Cloud |
| (iv) | Display | PC, TV, Projector, Smart Phone |
| v | Transmission | Internet, Teleconference, Video conferencing, Mobile Technology, Radio |
| vi | Exchange | E mail, Cell phone |