

**11<sup>th</sup>  
STD****PUBLIC EXAMINATION - MARCH 2025****PART - III**

Reg. No.

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**TIME ALLOWED : 3.00 Hours]****ECONOMICS (with Answers)****[MAXIMUM MARKS : 90**

- Instructions : (1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor immediately.
- (2) Use **Blue** or **Black** ink to write and underline and pencil to draw diagrams.

**PART - I****Note :** (i) Answer **all** the questions.**[20 × 1 = 20]**(ii) Choose the most appropriate answer from the given **four** alternatives and write the option code and the corresponding answer.

- If  $D = 150 - 50P$ , then the slope is:  
(a) 5 (b) -5 (c) -50 (d) 50
- The Headquarters of Southern Railway is at \_\_\_\_\_.  
(a) Madurai (b) Tiruchirapalli (c) Coimbatore (d) Chennai
- Which of the following is not a characteristic of land?  
(a) Heterogeneous (b) Its limited supply  
(c) Gift of Nature (d) It is mobile
- Integration is the reverse process of \_\_\_\_\_.  
(a) Amalgamation (b) Difference  
(c) Differentiation (d) Mixing
- A book seller sold 40 books at the price of ₹10 each. The total revenue of the seller is \_\_\_\_\_.  
(a) ₹300 (b) ₹100 (c) ₹400 (d) ₹200
- Which Five Year Plan was called as "Gadgil Yojana"?  
(a) Fourth Five Year Plan (b) Second Five Year Plan  
(c) Fifth Five Year Plan (d) Third Five Year Plan
- The year 1961 in population is known as the \_\_\_\_\_.  
(a) Year of Urbanisation (b) Year of Small Divide  
(c) Year of Great Divide (d) Year of Population Explosion
- The reward for labour is \_\_\_\_\_.  
(a) Profit (b) Rent (c) Interest (d) Wage
- Equilibrium condition of a firm is \_\_\_\_\_.  
(a)  $MC < MR$  (b)  $MC = MR$  (c)  $MR = Price$  (d)  $MC > MR$
- Increase in demand is caused by:  
(a) Increase in interest rate (b) Increase in tax  
(c) Decline in population (d) Higher Subsidy
- In India GST system came into effect in \_\_\_\_\_.  
(a) 2018 (b) 2016 (c) 2019 (d) 2017

12. Density of population =  
 (a) Total population/Land area of the region (b) Land area/Total population  
 (c) Total population/Employment (d) Land area/Employment
13. There is no close substitute to \_\_\_\_\_.  
 (a) Sugar (b) Match box (c) Salt (d) Tea
14. Which of the following involves maximum exploitation of consumers?  
 (a) Monopolistic Competition (b) Perfect Competition  
 (c) Oligopoly (d) Monopoly
15. The basis for the Law of Demand is related to :  
 (a) Law of Equi-marginal Utility (b) Law of Diminishing Marginal Utility  
 (c) Gossen's Law (d) Law of Supply
16. Which theory is generally included under Micro economics?  
 (a) Employment Theory (b) Price Theory  
 (c) Trade Theory (d) Income Theory
17. Quasi-rent arises in :  
 (a) Home-made items (b) Imported items  
 (c) Man-made appliances (d) None of these
18. How do you term people employed in excess of the requirements?  
 (a) Full employment (b) Unemployment  
 (c) Self-employment (d) Underemployment or Disguised unemployment
19. 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
20. The cost incurred by producing one more unit of output is \_\_\_\_\_ cost.  
 (a) marginal (b) variable (c) total (d) fixed

### PART - II

**Note:** Answer **any seven** questions. Question No. 30 is **Compulsory**.

7 × 2 = 14

21. What are Goods?  
 22. What are Giffen goods? Why is it called so?  
 23. Define Cost.  
 24. What is Selling Cost?  
 25. What is the meaning of Liquidity Preference?  
 26. What is Iso-cost line?  
 27. Define Labour.  
 28. What do you mean by Fixed Cost?  
 29. What are the kinds of Wages?  
 30. What is meant by Matrices?

**PART - III**

**Note:** Answer **any seven** questions. Question No. 40 is **Compulsory**.

7 × 3 = 21

31. What are the different features of Services?
32. Write a short note on Marginal Revenue.
33. Elucidate the different types of Land Tenure system in Colonial India.
34. Give a short note on Cold Storage.
35. Write a note on Risk-bearing Theory of Profit.
36. The production Handicrafts declined in India in British Period. Why?
37. State the remedial measures of Rural Unemployment.
38. Describe the performance of Tamil Nadu in Health.
39. What is the slope of the function  $Y = 5x^4$  when  $x = 10$ ?
40. What are the characteristics of Labour?

**PART - IV**

**Note:** Answer **all** the questions.

7 × 5 = 35

41. (a) Elaborate on the nature and scope of Economics.  
(OR)  
(b) How are the ideas of Information and Communication technology used in Economics?
42. (a) Explain the Law of Demand and its exceptions.  
(OR)  
(b) How price and output are determined under Perfect Competition?
43. (a) Elucidate the Laws of Returns to Scale. Illustrate.  
(OR)  
(b) Illustrate price and output determination under Monopoly.
44. (a) Describe the performance of Five Year Plans in India.  
(OR)  
(b) Discuss the problems of Rural Economy.
45. (a) Explain the Theory of Consumer's Surplus with diagram.  
(OR)  
(b) Explain any five Cost Concepts.
46. (a) Explain the Keynesian Theory of Interest.  
(OR)  
(b) Bring out Jawaharlal Nehru's contribution to the idea of Economic Development.
47. (a) Explain the objectives and characteristics of Special Economic Zones (SEZs).  
(OR)  
(b) Describe the qualitative aspects of Population.

**ANSWER****PART - I**

1. (c) -50
2. (d) Chennai
3. (d) It is mobile
4. (c) Differentiation

- |   |   |
|---|---|
| 5. (c) ₹400                                 | 6. (d) Third Five Year Plan                       |
| 7. (d) Year of Population Explosion         | 8. (d) Wage                                       |
| 9. (b) MC = MR                              | 10. (d) Higher Subsidy                            |
| 11. (d) 2017                                | 12. (a) Total population/Land area of the region  |
| 13. (c) Salt                                | 14. (d) Monopoly                                  |
| 15. (b) Law of Diminishing Marginal Utility | 16. (b) Price Theory                              |
| 17. (c) Man-made appliances                 | 18. (d) Underemployment or Disguised unemployment |
| 19. (d) Adam Smith                          | 20. (a) marginal                                  |

**PART - II**

21. (i) In Economics, the term 'goods' and 'services' also implies, unless specified otherwise.  
(ii) Goods are also called 'products', 'commodities', 'things' etc.  
(iii) Goods and services satisfies human wants.
22. (i) The Giffen good or inferior good is an exception to the law of demand.  
(ii) When the price of an inferior good falls, the poor will buy less and vice versa.  
For Example: Rice, Ragi
23. (i) Cost refers to the total expenses incurred in the production of a commodity.  
(ii) Cost analysis refers to the study of behavior of cost in relation to one or more production criteria, namely size of output, scale of production, prices of factors and other economic variables.
24. (i) We can infer that the producer under monopolistic competition has to incur expenses to popularise his brand.  
(ii) The expenditure involved in selling the product is called selling cost.  
(iii) The cost incurred in order to alter "the position or shape of the demand curve for a product"
25. Liquidity preference means the preference of the people to hold wealth in the form of liquid cash rather than in other non-liquid assets like bonds, securities, bills of exchange, land, building, gold, etc.
26. (i) The iso - cost line is an important component in analysing producer's behaviour.  
(ii) The iso-cost line illustrates all the possible combinations of two factors that can be used at given costs and for a given producer's budget.  
(iii) It is otherwise called as "Iso-Price line" or "Iso-income line" or "Iso-expenditure line" or "Total outlay curve".
27. According to Marshall, labour represents services provided by the factor labour, which helps in yielding an income to the owner of the labour-power.
28. (i) Fixed Cost does not change with the change in the quantity of output.  
(ii) In other words, expenses on fixed factors remain unchanged irrespective of the level of output.  
For example, rent of the factory  
(iii) Fixed cost is also called as 'Supplementary Cost' or 'Overhead Cost'.

29. Wages are divided into four types. They are,

- (1) Nominal Wages (or) Money Wages.
- (2) Real Wages.
- (3) Piece Wages.
- (4) Time Wages.

30. 'Matrix' is a singular while 'matrices' is a plural form. Matrix is a rectangular array of numbers systematically arranged in rows and columns within brackets. In a matrix, if the number of rows and columns are equal, it is called a square matrix.

### PART - III

31. Four features of services are,

- (i) **Intangible** : Intangible things are not physical objects but exist in connection to other things.  
For Example : Brand Image, Goodwill etc.
- (ii) **Heterogeneous** : A single type services yields multiple experiences.  
For Example : Music, consulting physicians etc.
- (iii) **Inseparable from their makers** : Services are inextricably connected to their makers.  
For Example : labour and labourer are inseparable.
- (iv) **Perishable** : Services cannot be stored as inventories like assets.  
For Example : Cricket Match.

32. (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.

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

33. (i) The three different types of land tenure existed in India.  
(ii) They were Zamindari system, Mahalwari system, and Ryotwari system.

#### **Zamindari system (or) Land lords :**

- (i) The landlords or the zamindars were declared as the owners of the land.
- (ii) They were responsible to pay the land revenue to the government.
- (iii) The share of the government in total rent collected and fixed at 10/11th, the balance going to the zamindars as remuneration.

Mahalwari System : The ownership of the land was maintained by the collective body usually the villagers which served as a unit of a management.

Ryotwari system or the owner cultivator system :

- (i) The rights of ownership and control of land were held by the tiller.
- (ii) There was a direct relationship between the owners and tillers.
- (iii) This system was the least oppressive system.

34. (i) India is the largest producer of fruits and second largest producer of vegetables in the world.  
 (ii) Most of the problems relating to the marketing of fruits and vegetables can be traced to their perishability.  
 (iii) Perishability is responsible for high marketing costs, market gluts, price fluctuations and other similar problems.  
 (iv) In order to overcome this constraint, the Government of India and the Ministry of Agriculture promulgated an order known as "Cold Storage Order, 1964"
35. (i) Risk bearing theory of profit was propounded by the American economist F.B.Hawley in 1907. According to him, profit is the reward for "risk taking" in business.  
 (ii) Risk taking is an essential function of the entrepreneur and is the basis of profit. It is a well known fact that every business involves some risks.  
 (iii) Since the entrepreneur undertakes the risks, he receives profits. Thus, higher the risks, the greater are the profit.  
 (iv) Every entrepreneur produces goods in anticipation of demand. It is the profit that induces the entrepreneurs to undertake such risks.
36. (i) Through discriminatory tariff policy, the British Government purposefully destroyed the handicrafts.  
 (ii) Indian handicrafts could not compete with machine - made products.  
 (iii) With the disappearance of nawabs and kings, there was no one to protect Indian handicrafts.  
 (iv) The introduction of railways in India increased the domestic market for the British goods.

37. A few remedial measures are listed below.

**Irrigation Facilities :** The increased cropping intensity creates additional demand for labour.

**Subsidiary Occupation :** To reduce the seasonal unemployment rural people should be encouraged to adopt subsidiary occupations.

**Technical Education :** Employment oriented courses should be introduced in schools and colleges.

**Rural Industrialisation :**

- (i) Irrigation facilities should be expanded to enable the farmers to adopt multiple cropping.  
 (ii) To provide employment new industries should be set up in rural areas.
38. (i) Tamil Nadu has a three - tier health infrastructure comprising hospitals, primary health centres, health units, community health centres and sub centres.  
 (ii) Tamil Nadu has placed third in health index as per the NITIAAYOG report.  
 (iii) The neo natal mortality rate is 14 which is lower than many other states.  
 (iv) The reasons for the relative success of Tamil Nadu lie in extending social policies to cover most of the populations.

39. **Solution:**

$$\begin{aligned} \text{Given function } Y &= 5x^4 ; \text{ Slope} = \frac{dy}{dx} \\ \frac{dy}{dx} &= 5(4)x^{4-1} \\ &= 20x^3 \end{aligned}$$

$$\text{when } x=10, \text{ then slope} = 20(10)^3 = 20 \times 1000$$

$$\therefore \text{ Slope is} = 20,000$$

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40. (i) Labour is the animate factor of production.  
 (ii) It is an active factor of production  
 (iii) Labour is perishable  
 (iv) Labour is inseparable from the labourer

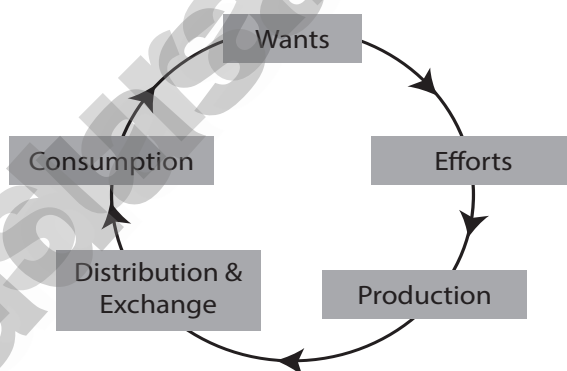
#### PART - IV

41. (a) (I) **Nature of Economics:**

1. A Law expresses a causal relation between two or more than two phenomena.
2. Marshall states that the Economic laws are statement of tendencies, the laws function with cause and effect.
3. Economic laws are not as precise and certain as the laws in the physical sciences.
4. Economic laws are not inviolable
5. The use of the assumption 'other things remaining the same'
6. Economics makes the Economic laws hypothetical.
7. Laws in economics are more exact, precise and accurate than the other social sciences.
8. Some economic laws are simply truisms.

(II) **The scope of the subject of Economics refers to the subject-matter of Economics.**

1. All human activities related to wealth constitute the subject-matter of Economics.
2. Production, consumption and capital formation are called the basic economic activities of an economy.



3. The flow chart give the scope of economics.
4. Economics focuses on the behaviour and interactions among economic agents, individuals and groups belonging to an economic system.
5. Human activities not related to wealth (noneconomic activities) are not treated in Economics. For example, playing cricket for pleasure, mother's child care.

(OR)

**(b) Introduction :**

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

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

S. No.	Information	Technologies
1	Creation	Personal computers, Digital Camera, Scanner, Smart Phone.
2	Processing	Calculator, PC, Smart Phone.
3	Storage	CD, DVD, Pen Drive, Microchip, Cloud.
4	Display	PC, TV, Projector, Smart Phone.
5	Transmission	Internet, Teleconference, video conferencing, Mobile Technology, Radio.
6	Exchange	E-mail, Cell Phone.

**42. (a) Law of Demand :**

The Law of Demand was first stated by Augustin Cournot in 1838. Later it was refined and elaborated by Alfred Marshall.

**Definitions**

The Law of Demand says as “the quantity demanded increases with a fall in price and diminishes with a rise in price”.

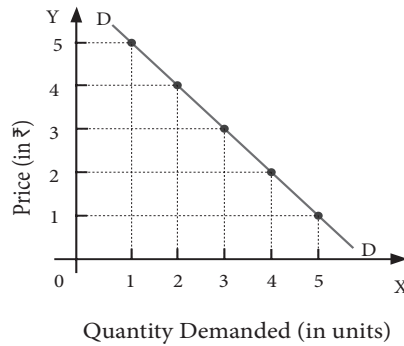
**Assumptions :-**

- The income of the consumer remains constant.
- The taste, habit and preference of the consumer remain the same.
- The prices of other related goods should not change.
- No substitutes for the commodity.
- Demand for the commodity must be continuous.
- No change in the quality of the commodity.

If there is change even in one of these assumptions, the law will not operate.

**Table: Demand Schedule**

Price (₹)	Quantity Demand (Unit)
5	1
4	2
3	3
2	4
1	5

**Explanation :**

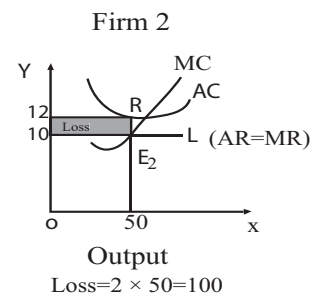
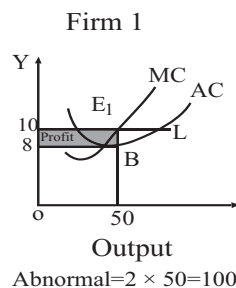
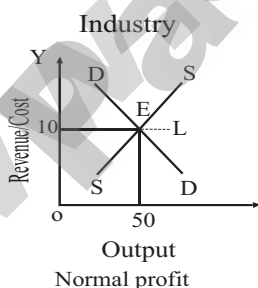
- The law of demand explains the relationship between the price of a commodity and the quantity demanded of it.
- This law states that quantity demanded of a commodity expands with a fall in price and contracts with rise in price.
- The law of demand states that there is an inverse relationship between the price and the quantity demanded of a commodity.
- 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.

**Exception to the law of demand :**

- Normally, the demand curve slopes downwards from left to right. But there are some unusual demand curves do not obey the law and reverse occurs.
- A fall in price brings 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.

(OR)

- Under perfect competition take the price (₹10) from the industry and start adjusting their quantities produced.  $Q_d = 100 - 5P$ . At equilibrium.



$$Q_d = Q_s \quad Q_s = 5(10) \\ \therefore Q_s = 50$$

SS = Market Supply      DD = Market Demand

AR = Average Revenue      AC = Average Cost

MR = Marginal Revenue      MC = Marginal Cost

- (i) The equilibrium of an industry is explained in the first panel. Price is OP
- (ii) The equilibrium of an industry is obtained at 50 units of output.

**The second part :**

- (i) AC curve is lower than the price line.
- (ii) The equilibrium condition is achieved where  $MC=MR$
- (iii) Its total revenue is  $50 \times 10 = 500$  Its total cost is  $50 \times 8 = 400$ .  
Therefore, its total profit is  $500 - 400 = 100$ .

**The third part :**

- (i) Firm's cost curve is above the price line.
- (ii)  $AC > AR$  Its total revenue is  $50 \times 10 = 500$  Its total cost is  $50 \times 12 = 600$   
Therefore, its total loss is  $600 - 500 = 100$ .

**43. (a) Laws of return to scale**

- (i) In the long - run, there is no fixed factor; all factors are variable.
- (ii) The Laws of returns to scale explain the relationship between output and the scale of inputs in the long-run when all the inputs are increased in the same proportion.

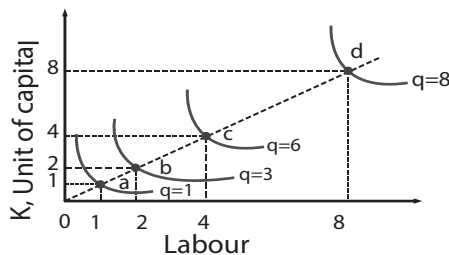
**Assumptions :**

- (i) All the factors of production are variable but organization is fixed.
- (ii) There is no change in technology.
- (iii) There is perfect competition in the market.
- (iv) Outputs or returns are measured in physical quantities.

**Three Phases of Return to Scale :**

- (A) **Increasing returns to scale:** In this case if all inputs are increased by one percent, output increase by more than one percent.
- (B) **Constant returns to scale:** In this case if all inputs are increased by one percent, output increasing exactly by one percent.
- (C) **Diminishing returns to scale:** In this case if all inputs are increased by one percent, output increases by less than one percent.

**Laws of Returns to Scale**



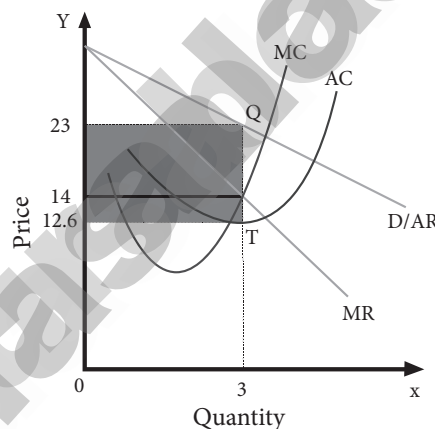
Stages	Input	Output	Returns to Scale
a to b	100%↑	200%↑	Increasing
b to c	100%↑	100%↑	Constant
c to d	100%↑	33.33%↑	Decreasing

**Explanation :**

- (i) In the above figure the movement from point 'a' to point 'b' represents increasing returns to scale.
- (ii) Because, between these two points input has doubled, but output has tripled.
- (iii) The law of constant returns to scale is implied by the movement from the point 'b' to point 'c'. Because, between these two points inputs have doubled and output also has doubled.
- (iv) Decreasing returns to scale are denoted by the movement from the point c to point d since doubling the factors from 4 units to 8 units produce less than the increase in inputs, that is, by only 33.33%.

(OR)

- (b) (i) A monopoly is a one firm industry.
- (ii) Therefore, a firm under monopoly faces a downward sloping demand curve or AR curve.
- (iii) MR lies below the AR curve ( $MR < AR$ ).
- (iv) The monopolist will continue to sell his product as long as his  $MR > MC$ .
- (v) Beyond this point, the producer will experience loss and hence will stop selling.

**Price and output determination under monopoly**

- (vi) From this diagram, till he sells 3 units output,  $MR > MC$ . The monopoly firm will be in equilibrium at the level of output where MR is equal to MC. The price is 23.
- (vii) To checkup how much profit the monopolist is making at the equilibrium output, the average revenue curves and the average cost curves are used. At equilibrium level of output, (3) is the average revenue is 23 and the average cost is 12.67, therefore  $(23 - 12.67 = 10.33)$  is the profit per unit.

$$\begin{aligned}
 \text{Total Profit} &= (\text{Average Revenue} - \text{Average Cost}) \times \text{Total output} \\
 &= (23 - 12.67) \times 3 \\
 &= 10.33 \times 3 = 30.99.
 \end{aligned}$$

44. (a) The concept of economic planning in India was the limited natural resources are utilized skillfully so as to achieve the desired goals.

- (i) **First Five Year Plan (1951 - 1956)** : Agriculture development of the country.
- (ii) **Second Five Year Plan (1956 - 1961)** : Industrial Development of the country.

- (iii) **Third Five Year Plan (1961 - 1966)** : To make the economy independent and to reach self active position to take off.
- (iv) **Fourth Five Year Plan (1969 - 1974)** : The two main objectives of this plan growth with stability and progressive achievement of self reliance.
- (v) **Fifth Five year Plan (1974 - 1979)** : In this plan top priority was given to agriculture, next cement industry and mines.
- (vi) **Sixth Five Year Plan (1980 - 1985)** : Poverty eradication and technological self reliance was the main objective of this plan.
- (vii) **Seventh Five Year Plan (1986 - 1991)** : The establishment of the self sufficient economy opportunities for productive employment.
- (viii) **Eight Five Year Plan (1992 - 1997)** : The top priority was given to the development of human resources. i.e., employment, education and public health.
- (ix) **Ninth Five Year Plan (1997 - 2002)** : The main focus of this plan growth with justice and equity.
- (x) **Tenth Five Year Plan (2002 - 2007)** : To double the per capita income of India next 10 years.
- (xi) **Eleventh Five Year Plan (2007 - 2012)**: "Faster and more inclusive growth was the main aim of this plan".
- (xii) **Twelfth Five Year Plan (2012 - 2017)** : Its main aim is "Faster, more inclusive and sustainable growth".

(OR)

- (b) Rural areas are facing number of problems realting to (1) People, (2) Agriculture, (3) Infrastructure, (4) Economy, (5) Society and Culture (6) Leadership and (7) Administration

**(a) 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.

**(b) Social and Cultural Problems:**

Caste system makes villages almost rigid. Dominant Caste in village holds all lands. So they will be the superior class too. Poverty, mal – nourishment, illiteracy, child marriages and many more can be seen in Indian villages.

**(c) Leadership Related Problems:**

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

**(d) 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.

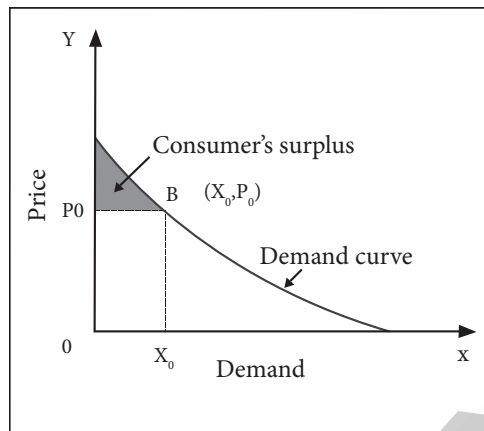
**(e) Economics related Problems:**

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..

45. (a) This theory was developed by the Alfred Marshall. The demand function  $P(x)$  reveals the relationship between the quantities that the people would buy at given price. It can be expressed as

$$P = f(x)$$

Consumer surplus is the difference between the price one is willing to pay and the price that is actually paid. It is represented in the following diagram.



Mathematically, the consumer's surplus (CS) can be defined as

$CS = (\text{Area under the demand curve from } x = 0 \text{ to } x = x_0) - (\text{Area of the rectangle } OX_0BP_0)$

$$CS = \left[ \int_0^{x_0} p(x) dx \right] - x_0 p_0$$

(OR)

#### (b) Money Cost :

Production cost expressed in money terms is called as money cost. Money cost includes the expenditures such as cost of raw materials, payment of wages and salaries, payment of rent, interest on capital, expenses on fuel and power, expenses on transportation and other types of production related costs.

#### Real Cost :

Real cost refers to the payment made to compensate the efforts and sacrifices of all factor owners for their services in production. It includes the efforts and sacrifices of landlords in the use of land, capitalists to save and invest, and workers in foregoing leisure.

#### Explicit Cost :

Payment made to others for the purchase of factors of production is known as Explicit costs. It refers to the actual expenditure of the firm to purchase or hire the inputs the firm needs.

#### Implicit Cost :

Payment made to the use of resources that the firm already owns, is known as Implicit Cost. Implicit Cost is also called as Imputed Cost or Book Cost.

#### Economic Cost :

It refers to all payments made to the resources owned and purchased or hired by the firm in order to ensure their regular supply to the process of production.

46. (a) Keynes propounded the Liquidity Preference Theory of Interest in his famous book, "The General Theory of Employment, interest and money in 1936.

**Definition :**

According to him "Interest is the reward for parting with liquidity for a specified period of time".

**Meaning of liquidity preference :**

Liquidity preference means the preference of the people to hold wealth in the form of liquid cash rather than in other non liquid assets like bonds, securities, bills of exchange, land, building, gold etc.

**Motives of demand for money :**

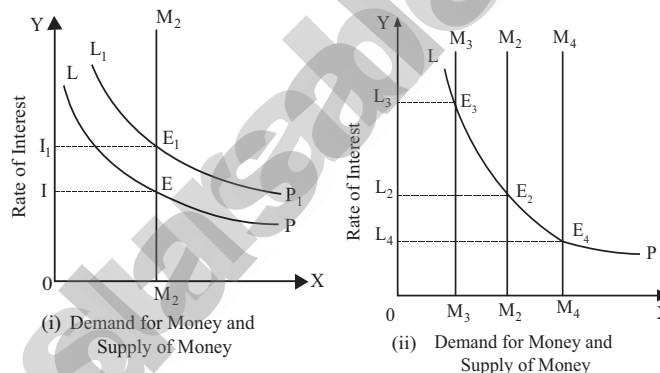
According to Keynes, there are three motives for liquidity preference. They are

- (1) The Transaction Motive
- (2) The Precautionary Motive
- (3) The Speculative Motive

**Determination of rate of interest :**

According to Keynes, the rate of interest is determined by the demand for money and the supply of money. The demand for money is liquidity preference. The supply of money is determined by the policies of the Government and the Central Bank of a country.

**Liquidity preference Theory of Interest**



**Equilibrium between Demand and Supply of Money**

- (i) The equilibrium between liquidity preference and demand for money determines the rate of interest. In short-run, the supply of money is assumed to be constant (₹200).
- (ii) In the diagram (i) LP is the liquidity preference Curve (demand curve). M<sub>2</sub> M<sub>2</sub> shows the supply curve of money to satisfy speculative motive.
- (iii) Both curves intersect at the point E, which is the equilibrium point. Hence, the rate of interest is I. If liquidity preference increases from LP to L<sub>1</sub>P<sub>1</sub> the supply of money remains constant, the rate of interest would increase from OI to OI<sub>1</sub>.
- (iv) In the diagram (ii) Suppose LP remains constant. If the supply of money is OM<sub>2</sub>, the interest is OI<sub>2</sub> and if the supply of money is reduced from OM<sub>2</sub> to OM<sub>3</sub>, the interest would increase from OI<sub>2</sub> to OI<sub>3</sub>. If the supply of money is increased from OM<sub>2</sub> to OM<sub>4</sub>, the interest would decrease from OI<sub>2</sub> to OI<sub>4</sub>.

**Criticism :**

- (i) This theory does not explain the existence of different interest rates prevailing in the market at the same time.
- (ii) It explains interest rate only in the short-run.

(OR)

- (b) Jawaharlal Nehru, one of the chief builders of Modern India, was the first Prime Minister of Independent India and he was there in that post till his death in 1964. He was a great patriot, thinker and statesman.

**Democracy and secularism :**

- (i) Jawaharlal Nehru was a firm believer in democracy. He believed in free speech civil liberty, adult franchise and the Rule of Law and Parliamentary democracy. Secularism, is another signal contribution of Nehru to India.
- (ii) Secularism means equal respect for all religions.

**Planning :**

- (i) Jawaharlal Nehru was responsible for the introduction of planning in our country. To Jawaharlal Nehru, the Plan was essentially an integrated approach for development.
- (ii) Initiating the debate on the Second Plan in the Lok Sabha in May 1956, Nehru spoke on the theme of planning.
- (iii) He said, "the essence of planning is to find the best way to utilize all resources of manpower, of money and so on." Planning for Nehru was essentially linked up with industrialization and eventual self-reliance for the country's economic growth on a self- accelerating growth.
- (iv) Nehru's contribution to the advancement of science, research, technology and industrial development cannot be forgotten. He always insisted on "scientific temper".

**Democratic Socialism :**

- (i) Socialism is another contribution of Nehru to India.
- (ii) He put the country on the road towards a socialistic pattern of society. But Nehru's socialism is democratic socialism.

**47. (a) Major objectives of SEZs :**

- (i) To enhance foreign investment, especially to attract foreign direct investment (FDI) and thereby increasing GDP.
- (ii) To increase shares in Global Export.
- (iii) To generate additional economic activity.
- (iv) To create employment opportunities.
- (v) To develop infrastructure facilities.
- (vi) To exchange technology in the global market.

**Main characteristics of SEZ :**

- (i) Administered by single body/authority.
- (ii) Having separate custom area.
- (iii) Geographically demarked area with physical security.
- (iv) Streamlined procedures.
- (v) Governed by more liberal economic laws.

(OR)

**(b) (a) Sex Ratio (No. of Females per 1000 males)**

- (i) Balanced sex ratio implies improvement in quality of life of female population.
- (ii) The sex ratio in Tamil Nadu is nearing balance with 995 which is far better compared to most of the States and all India level.
- (iii) Tamil Nadu stands third next to Kerala state and Puduchery Union Territory in sex ratio.

**(b) Infant Mortality Rate (Mortality before completing 1 year)**

- (i) Tamil Nadu is well ahead of national average and other states in IMR.
- (ii) According To NITI AAYOG, the IMR is 17 (per 1000) for Tamil Nadu is just half of national average of 34 in 2016.

**(c) Maternal Mortality Rate (MMR) (Mother's death at the time of delivery per 1 lakh)**

- (i) Tamil Nadu has a good record of controlling MMR ranking third with 79 (Kerala - 61, Maharashtra - 67).
- (ii) It is against national average of 159 half of the national average.

**(d) Life expectancy at birth :**

- (i) The average period that a person may expect to live is called life expectancy.
- (ii) Life expectancy in India still falls short of most developed and developing nations.

**(e) Literacy :** The literacy rate in Tamil Nadu is higher than in many states.