# THE EASIEST MADE SUPPORTIVE MATERIAL FOR +1 ECONOMICS
**(Mainly for average and below average students but very useful for all)**

**Instructions :**

## PART-A
**(Objective type – One Mark from Question No.1 to 20)**

1. Just make students to **remember only keywords** in the questions and right answers which are typed in bold letters and underlined.
2. Get thorough **practice through oral and written tests** till you satisfy that they can answer confidently.

## PART-B
**(Short Answers – 2 Marks from Question No.21 to 30 – 7 out of 10, 30th question is compulsory)**

1. **Any nine lessons** from the given lessons, make them read as many lessons as they can one after another.

## PART-C
**(Paragraph Answers-3 Marks from Question No.31 to 40 7 out of 10, 40th question is compulsory)**

1. Make them **read only sub-headings.**
2. **Any nine lessons** are more than sufficient.

**Note : Part-A, Part-B and Part- C are very must**

## PART-D
**Essay Type-5 Marks**
**(This part is optional from Question No.41 to 47 Internal choice pattern i.e., a or b under the same question)**

1. Make them **read alternative lessons** that is (**1, 3, 5, 7…**) or (**2, 4, 6,8, ….**)
2. This formula probably works out since this section is of internal choice pattern.
3. **Only sub-headings to be read.**

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# Economics

## Slow Boomers - Important -5 Marks    Plus 1

1. Compare and contrast various **definitions of Economics.**
2. Elucidate the **law of diminishing marginal utility** with diagram.
3. Elucidate the **Laws of Returns to Scale.** Illustrate.
4. Bring out the relationship between **AR and MR curves** under various price conditions.
5. Bring out the **features of perfect competition.**
6. Write a brief note on the **Gandhian economic ideas**.
7. Analyse the causes for **Rural Indebtedness**.
8. Explain basic problems of the economy with the help of **production possibility curve**.
9. Explain the **law of demand** and its exceptions.
10. Explain the **internal and external economies of scale.**
11. Discuss the **short run cost curves** with suitable diagram.
12. Illustrate price and output determination under **Monopoly**.
13. Discuss the important initiatives taken by the Government of India towards **Industrial Policy.**
14. Explain the **public transport** system in TN.
15. Elaborate the **nature and scope of Economics.**
16. Examine the **Law of Variable Proportions** with the help of a diagram.
17. Describe the **features oligopoly.**
18. Bring out **Jawharlal Nehru's contribution to the idea of economic development.**
19. Describe the salient features of **EXIM policy (2015 – 2020)**
20. Describe the **qualitative aspects of population.**
21. 'The **features of Rural Economy** are peculiar'- Argue.
22. What are the methods of **measuring Elasticity of demand?**
23. Explain the **law of Equi-marginal utility**.
24. If total cost = 10+Q3, find out **AC, AVC, TFC, AFC** when Q=5
25. Explain price and output determined under **monopolistic competition** with help of diagram.
26. Explain strong **features Indian economy.**
27. Discuss the **problems of Rural Economy.**
28. Explain the various **sources of energy** in Tamil Nadu.
29. Explain the objectives and characteristics of **SEZs.**
30. How price and output are determined under the **perfect competition?**
31. Write the importance of **mineral resources in India.**
32. Illustrate the **Ricardian Theory of Rent.**.

1-5,7,9,10,11.

# 1. Compare and contrast various definitions of Economics.

| Part I | Wealth Definition | Welfare Definition |
|---|---|---|
| **Author** | **ADAM SMITH** | **ALFRED MARSHAL** |
| **Year** | 1776 | 1890 |
| **Definition** | *"Economics as the **science of wealth"*** | *"Economics is a study of mankind in the **ordinary business of life"*** |
| **Key Concepts** | 1. Individual in the society wants to promote his own gain and in this process<br>2. Man is guided and led by an "invisible hand".<br>3. It means that each person works for his own good. | 1. Economics studies on one side a study of wealth, on the other, and more important side, a part of the study of man<br>2. Man promotes primarily welfare and not wealth.<br>3. Economics contains the concerns of ordinary people. |
| **Criticisms** | 1. Economics as a 'dismal science', "pig science" etc.<br>2. As it teaches selfishness which is against ethics. | 1. Does not consider immaterial things,<br>2. Welfare varies from person to person, country to country and one period to another. |

| Part II | Scarcity Definition | Growth Definition |
|---|---|---|
| **Author** | **LIONEL ROBBINS** | **PAUL SAMUELSON** |
| **Year** | 1932 | 1948 |
| **"Definition"** | *"Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses".* | *"Economics is the study of how men and society choose, with or without the use of money, to produce various commodities over time, and distribute them for consumption, now and in the future"* |
| **Key Concepts** | 1. Human beings have unlimited wants<br>2. Resources are limited or scarce.<br>3. the scarce means are capable of having alternative uses. | 1. Samuelson makes his definition dynamic.<br>2. Covers various aspects like production, distribution and consumption |
| **Criticisms** | 1. Does not make any distinction between goods conducive to human welfare and goods that are not | 1. Samuelson's definition is applicable also in a barter economy, where money is not used |

**5 MARKS**

1-5,7,9,10,11.

## 2. Elucidate the law of diminishing marginal utility with diagram.

### 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".**

### Assumptions:

1. Utility can be measured by cardinal numbers such as 1, 2, 3 and so on.
2. The marginal utility of money of the consumer remains constant.
3. The consumer should be a rational consumer
4. The units of the commodity consumed must be reasonable in size.
5. The commodity consumed should be homogeneous .

### Table :

| 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 :
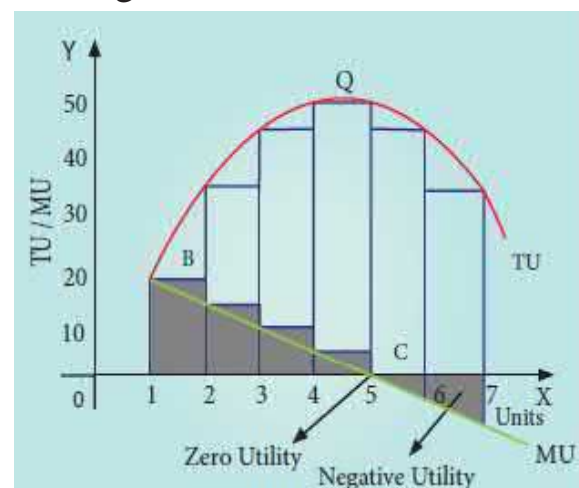


### Explanation:

- Suppose a consumer wants to consume 7 apples one after another.
- The utility from the _first apple_ is 20.
- The _second apple_ will be less than that of the first (say 15), the _third_ less than that of the second (say 10) and so on.
- Finally, the utility from the _fifth apple_ becomes zero.
- Utilities from _sixth and seventh apples_ are negative.
- This tendency is called _"The law of Diminishing marginal utility"._

### Criticism:

1. Utility _cannot be measured_ numerically.
2. This law is based on the _unrealistic assumptions._
3. This law is _not applicable_ to indivisible commodities.

## 3. Elucidate the Laws of Returns to Scale. Illustrate.

### Meaning:

- 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:

1. All the factors of production are variable but *organization is fixed.*
2. There is *no change* in technology.
3. There is *perfect competition* in the market.
4. Outputs or returns are *measured* in physical quantities

### Three Phases of Returns to Scale

1. **Increasing Returns to Scale:**
2. **Constant Returns to Scale:**
3. **Diminishing Returns to Scale:**
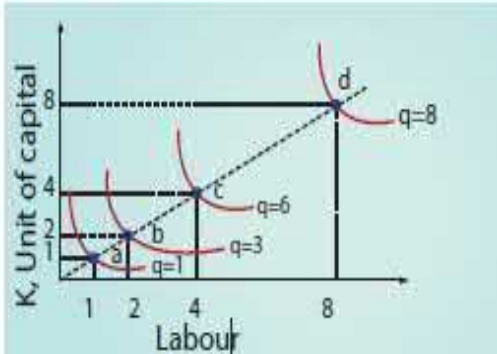


| Stages | Input | Output | Returns to Scale |
|---|---|---|---|
| a to b | 100% ↑ | 200% ↑ | Increasing |
| b to c | 100% ↑ | 100% ↑ | Constant |
| c to d | 100% ↑ | 33.33% ↑ | Decreasing |

### Explanation:

- The movement from point **a to point b** represents **increasing returns to scale.**
- The law of **constant returns to scale** is implied by the movement from the point **b to point c.**
- **Decreasing returns to scale** are denoted by the movement from the point **c to point d.**

## 4. Bring out the relationship between AR and MR curves under various price conditions.

- If a firm is able to sell additional units at the *same price* then AR and MR will be **constant and equal.**
- If the firm is able to sell additional units only by *reducing the price*, then both AR and MR will **fall and be different**

### Constant AR and MR (at Fixed Price):

- When price remains constant or fixed, the MR will be also constant and will coincide with AR.
- Under perfect competition as the price is uniform and fixed, AR is equal to MR and their shape will be a straight line horizontal to X axis.

| Qunatity sold (Q) | Price (P) | Total Revenue (TR) | Average Revenue (AR) | Marginal Revenue (MR) |
|---|---|---|---|---|
| 1 | 5 | 5 | 5 | 5 |
| 2 | 5 | 10 | 5 | 5 |
| 3 | 5 | 15 | 5 | 5 |
| 4 | 5 | 20 | 5 | 5 |
| 5 | 5 | 25 | 5 | 5 |
| 6 | 5 | 30 | 5 | 5 |
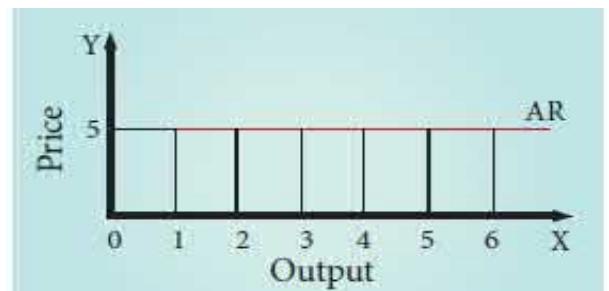


### Declining AR and MR (at Declining Price):

- When a firm sells large quantities at lower prices both AR and MR will fall but the fall in MR will be more steeper than the fall in the AR.

| Quantity Sold (Q) | Price/ Average Revenue | Total Revenue (TR) | Marginal Revenue (MR) |
|---|---|---|---|
| 1 | 10 | 10 | - |
| 2 | 9 | 15 | 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 |
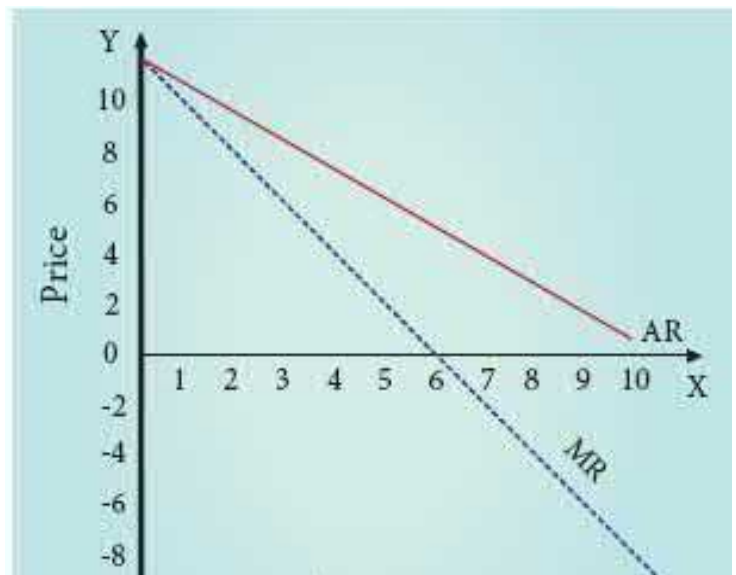
- The MR curve divides the distance between AR Curve and Y axis into two equal parts.
- The decline in **AR need not be a straight line or linear.**
- If the prices are declining with the increase in quantity sold, the AR can be non-linear, taking a shape of concave or convex to the origin.

## 5. Bring out the features of perfect competition.

### a. Large Number of Buyers and Sellers:

- 'A large number of buyers' implies that each individual buyer buys a very, very small quantum of a product.

### b. Homogeneous Product and Uniform Price:

- All the units of the product are **identical** (ie) of the same size, shape, colour, quality etc. Therefore, a uniform price prevails in the market.

### c. Free Entry and Exit:

- Efficient producer, producing the product at a very low cost, to earn super normal profits. Attracted by such *a profit, new firms enter into the industry.*

### d. Absence Of Transport Cost:

- The *prevalence of the uniform price* is also due to the **absence of the transport cost.**

### e. Perfect Mobility of Factors of Production:

- The prevalence of the uniform price is also due to the perfect mobility of the factors of production.

### f. Perfect Knowledge of the Market:

- All buyers and sellers have a thorough knowledge of the quality of the product, prevailing price etc.

### g. No Government Intervention:

- There is no government regulation on supply of raw materials, and in the determination of price etc.

## 6. Write a brief note on the Gandhian economic ideas.

**Gandhian Thought :** Gandhian Economics is based on ethical foundations.

1. **Village Republics :**
   - To Gandhi, India lives in villages.
   - He was interested in developing the villages as self-sufficient units.

2. **On Machinery :**
   - Gandhi described machinery as 'Great sin'.

3. **Industrialism :**
   - Gandhi considered industrialism as a curse on mankind.

4. **Decentralization :**
   - He advocated a decentralized economy.

5. **Village Sarvodaya :**
   - According to **Gandhi,** "Real India was to be found in villages and not in towns or cities"
   - So, he suggested the development of self-sufficient, selfdependent villages.

6. **The Doctrine of Trusteeship:**
   - Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one.

7. **On Population :**
   - Gandhi opposed the method of population control through contraceptives.

8. **On Prohibition :**
   - Gandhi advocated cent per cent prohibition.
   - He regarded the use of liquor as a disease rather than a vice.
   - Many states depend on revenues from liquor sales.



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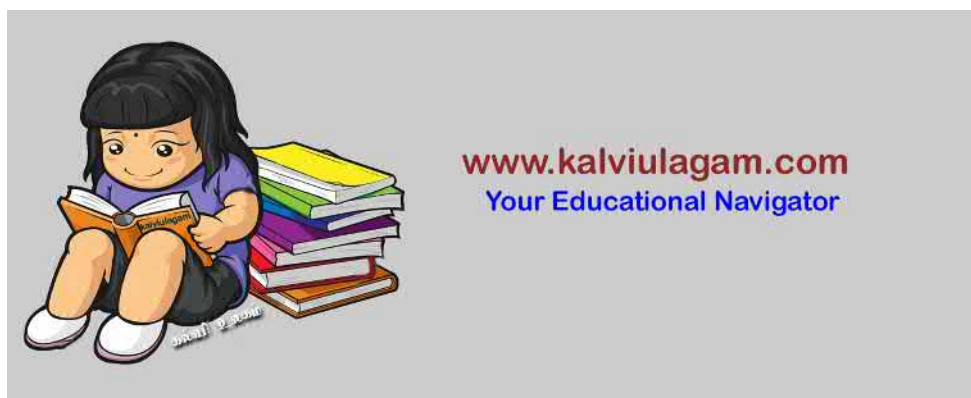
**7. Analyse the causes for Rural Indebtedness.**

**Meaning**

*Rural indebtedness refers to the <u>situation of the rural people unable to repay the loan</u> accumulated over a period.*

1. **Poverty of Farmers:**
   - The vicious circle of poverty forces the farmers to borrow for <u>consumption, cultivation and celebrations</u>. Thus, poverty, debt and high rates of interest hold the farmer in the grip of money lenders.

2. **Failure of Monsoon:**
   - Frequent failure of monsoon is a curse to the farmers and they have to suffer due to the failure of nature.
   - Therefore, farmers find it difficult to identify good years to repay their debts.

3. **Litigation:**
   - Due to land disputes litigation in the court compels them to borrow heavily.
   - Being uneducated and ignorant they are caught in the litigation process and dry away their savings and resources.

4. **Money Lenders and High Rate of Interest:**
   - The rate of interest charged by the local money lenders is very high and the compounding of interest leads to perpetuate indebtedness of the farmer.
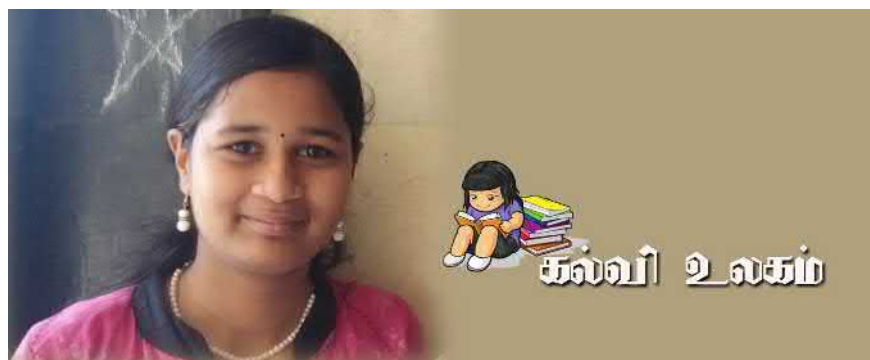
## 8. Explain basic problems of the economy with the help of production possibility curve.

### MEANING:

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

### ASSUMPTION:

1. The time period does not change.
2. Techniques of production are fixed.
3. There is full employment in the economy.
4. Only two goods can be produced from the given resources.
5. Resources of production are fully mobile.

### Production Possibility Schedule:     Diagram:

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



Production Possibilities Curve
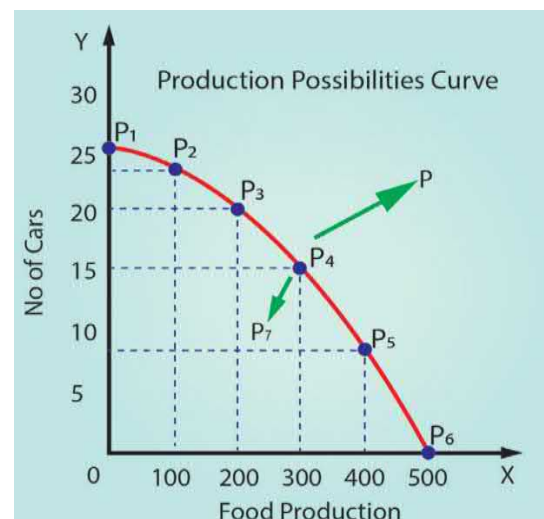
### Explanation

1. The quantity of *food* is shown on **x-axis** and the number of *cars* is shown on **y-axis**
2. The *different six production possibilities* are being shown as point $P_1$ $P_2$ $P_3$ $P_4$ $P_5$ & $P_6$.
3. A maximum of **500 tons of food** can be produced, given the existing technology.
4. If on the other hand, all resources are instead used for producing cars, **25 cars** can be produced.
5. In between these two extremes, possibilities exist.
6. If we are willing to give up some food, we can have some cars.

## 9. Explain the law of demand and its exceptions. *(Mar -2019)*

### Defination:

- According to Alfred Marshall, The Law of Demand said as **"the quantity demanded increases with a fall in price and diminishes with a rise in price".**

### Assumptions :

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.

### Demand Schedule :

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



Quantity Demanded (in units)
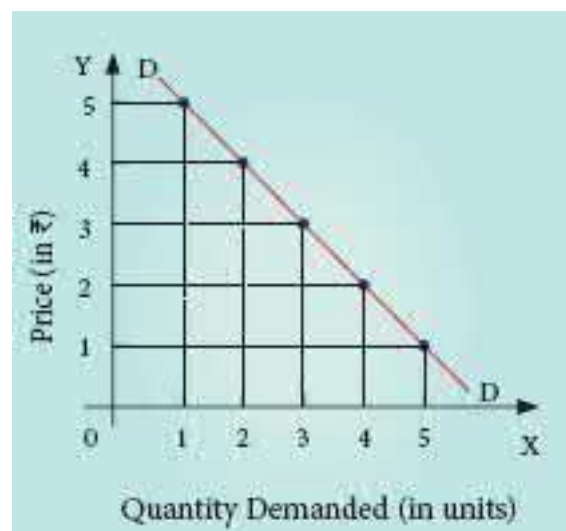
### Explanation :

- **X** axis represents the quantity demanded
- **Y** axis represents the price.
- **DD** is the demand curve which has a negative slope.
- It indicates that *when price falls, the demand expands and when prices rises, the demand contracts.*

### Exceptions to the law of demand:

1. The Giffen goods or inferior goods is an excepiton to the law of demand.
2. When the price of an inferior goods falls, the poor will buy less and vice versa.

## 10. Explain the internal and external economies of scale.

|   | Internal Economics | External Economics |
|---|---|---|
| 1 | **Technical Economies:** There is a possibility to introduce up-to-date technologies | Increased transport facilities |
| 2 | **Fiancial Economies:** Big firms can float shares in the market for capital expansion. | Banking facilities |
| 3 | **Managerial Economies:** Large scale production facilitates specialisation and delegation. | Development of townships |
| 4 | **Labour Economies:** Large scale production implies greater and minute division of labour. | Development of information and communication |
| 5 | **Maketing Economies:** The producers can both buy raw materials in bulk at cheaper cost and can take the products to distant markets. | Expansion of the Plant size. |

## 11. Discuss the short run cost curves with suitable diagram.

- **Total Fixed Cost (TFC):**
- **Total Variable Cost (TVC):**
- **Total Cost:**

- Average Fixed Cost (AFC):
- Average Variable Cost (AVC):
- Average Cost or Average Total Cost (AC or ATC):

- Marginal Cost (MC):

### Total Cost:

- Total Cost means the **sum total** of all payments made in the production. It is also called as Total Cost of Production.  It is written as **TC = TFC + TVC**

Total Cost Curves
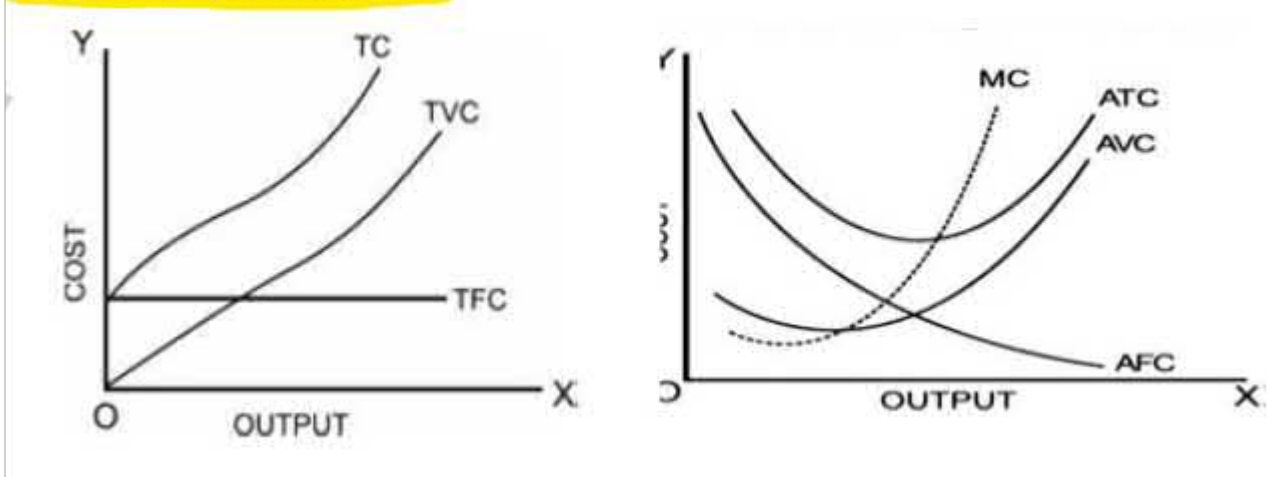
**Short run average cost curves:**

**Average Fixed Cost (AFC):**
- It refers to the fixed cost **per unit of output**. It is obtained by dividing the total fixed cost by the quantity of output.

$$\underline{AFC = TFC / Q}$$

- where, AFC denotes average fixed cost

**Average Variable Cost (AVC):**

It refers to the total variable cost per unit of output. It is obtained by dividing total variable cost (TVC) by the quantity of output.

**Average Total Cost or Average Cost**

Average total cost is simply called average cost which is the total cost divided by the number of units of output produced.

$$AC = TC / Q \text{ (or)}$$
$$AC = AFC + AVC$$

**Marginal Cost:**

Marginal cost is defined as the addition made to the total cost by the production of one additional unit of output.

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

## 12. Illustrate price and output determination under Monopoly.

## Meaning

- Monopoly is a market structure characterized by a single seller, selling the unique product with the restriction for a new firm to enter the market.

## Features of Monopoly

1. There is a single producer / seller of a product.
2. The product of a monopolist is unique and has no close substitute.
3. There is strict barrier for entry of any new firm.
4. The monopolist is a price-makert.
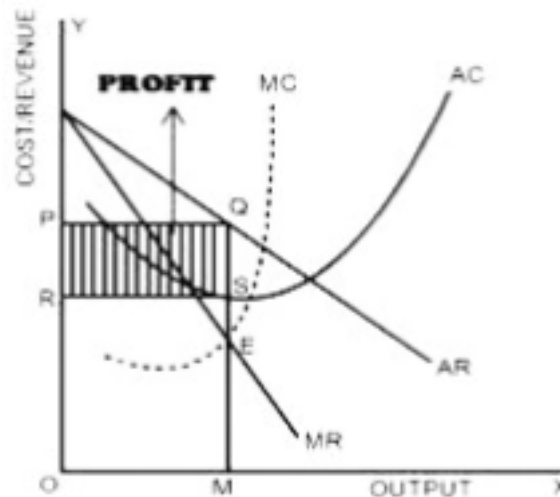


## Explanation:

- The Diagram shows that *MC cuts MR* at **E** to give equilibrium output as OM.
- At OM, the price charged is OP (we find this by extending line EM till it touches AR or demand curve).
- Also at OM, the cost per unit is MS.
- Therefore, profit per unit is SQ or total profit is PQRS.



Happy New Year

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**13. Discuss the important initiatives taken by the Government of India towards Industrial Policy.**

<u>**Meaning of Industrial Policy:**</u>

Any government action aimed at affecting industry may be considered to be part of industrial policy, which makes it a limitless field.

| Industrial Policy | Important Initiatives |
|---|---|
| Resolutions 1948 | 1. It ushered india as a the system of mixed economy.<br>2. Industries were classified into four groups such as public sector, public–cum –private Sector, controlled private sector, private and co-operative sectors.<br>3. This policy endeavoured to protect cottage and small scale industries. |
| Resolutions 1956 | 1. It assured a fair treatment to the private sector<br>2. Support and encourage cottage and small scale enterprises<br>3. Indianisation of foreign concerns |
| The New Industrial Policy of 1991 | 1. Industrial licensing will be abolished for all projects except for a short list of industries<br>2. The policy provides for automatic clearance for import of capital goods |
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**14. Explain the public transport system in Tamvil Nadu.**

**Tamil Nadu Public Transport System**

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

**a. Road**

- There are 28 national highways in the State, covering a total distance of 5,036 km.
- It ranks second in India with a share of over 20% in total road projects under operation.

**b. Rail**

- Tamil Nadu has a well-developed rail network as part of Southern Railway, Headquartered at Chennai.
- Tamil Nadu has a total railway track length of 6,693 km and there are690 railway stations in the State.

**d. Ports**

- Tamil Nadu has three major ports; one each at Chennai, Ennore, and Tuticorin, as well as one intermediate port in Nagapattinam, and 23 minor ports.

## 15. Elaborate the nature and scope of Economics.

### 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.*
4. Economic laws are *not inviolable.*
5. The use of the assumption *'other things remaining the same'*
6. Economics makes the *Economic laws hypothetical.*

### II. The scope of the subject of Economics refers to on 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 e*conomic agents,* individuals and groups belonging to an economic system.
5. *Human activities not related to wealth* (non-economic activities) are **not treated** in Economics.

## 16. Examine the Law of Variable Proportions with the help of a diagram.

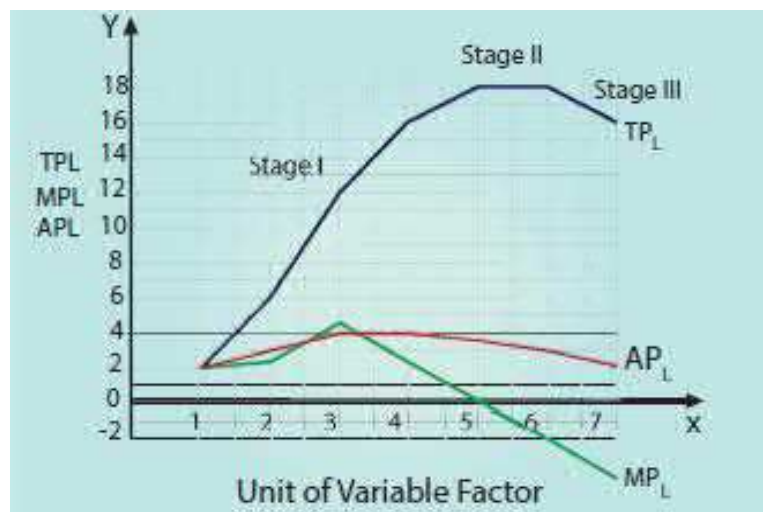**Law of Variable Proportions:**

**Definition:**

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.

**Stages of Production:**

| Units of Variable factor (L) | $TP_L$ | $MP_L$ | $AP_L$ | Stages |
|---|---|---|---|---|
| 1 | 2 | 2 | 2 | |
| 2 | 6 | 4 | 3 | I |
| 3 | 12 | 6 | 4 | |
| 4 | 16 | 4 | 4 | II |
| 5 | 18 | 2 | 3.6 | |
| 6 | 18 | 0 | 3 | III |
| 7 | 16 | -2 | 2.28 | |



- **Total Product (TP)**
  - It refers to the total amount of commodity produced by the combination of all inputs. **TP = ΣMP**
- **Average Product (AP)**
  - It is the result of the total product divided by the total units of the input employed. **AP = TP/N**
- **Marginal Product (MP)**
  - It is the addition or the increment made to the total product.
  $$MP = \Delta TP/\Delta N \text{ (or) } MP = TP_{(n)} - TP_{(n-1)}$$
  - In diagram, the number of workers is measured on X axis while TP, AP MP are denoted on Y axis. The diagram explains the **three stages of production** as given in the above table.

## 17. Describe the features oligopoly.

### 1. Few large firms:

Very few big firms own the major control of the whole market by producing major portion of the market demand.

### 2. Interdependence among firms:

The price and quality decisions of a particular firm are dependent on the price and quality decisions of the rival firms.

### 3. Group behaviuor:

The firms under oligopoly realise the importance of mutual co-operation.

### 4. Advertisement cost:

The oligopolist could raise sales either by advertising or improving the quality of the product.

### 5. Nature of product:

Perfect oligopoly means homogeneous products and imperfect oligopoly deals with heterogeneous products.

### 6. Price rigidity:

It implies that prices are difficult to be changed. The oligopolistic firms do not change their prices due to the fear of rivals' reaction.

## 18. Bring out Jawharlal Nehru's contribution to the idea of economic development.

- Jawaharlal Nehru, one of the chief builders of Modern India,
- He was a great patriot, thinker and statesman.

### Democracy and Secularism:

- Jawaharlal Nehru was a firm believer in democracy.
- Secularism is another significant contribution of Nehru to India.

### Planning:

- To Jawaharlal Nehru, the Plan was essentially an integrated approach for development.
- Jawaharlal Nehru was responsible for the introduction of planning in our country.

- It was during his period, many IITs and Research Institutions were established.
- Socialism is another contribution of Nehru to India.
- Nehru's socialism is democratic socialism

## 19. Describe the salient features of EXIM policy (2015 – 2020).

1. **Reduce export obligations** by 25% and give boost to domestic manufacturing supporting the "Make in India" concept.
2. Online procedure to upload digitally signed document by CA/CS/Cost Accountant are developed and further mobile app for filing tax, stamp duty has been developed.
3. Exporter Importer Profile is not required.
4. Export obligation period for export items related to defence, military store, aerospace and nuclear energy to be 24 months.
5. **EXIM Policy 2015-2020** is expected to double the share of India in World Trade from present level of 3% by the year 2020. This appears to be too ambitions.

## 20. Describe the qualitative aspects of population.

### 1.Density:
- The density of population which measures population per sq.km is 555 (2011) against 480 (2001).

### 2.Urbanisation:
- Tamil Nadu is the most urbanized state with 48.4% of urban population against 31.5% for India as a whole.

### 3. Sex ratio (Number of female per 1000 males)
- Balanced sex ratio implies improvement in quality of life of female population.
- 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.

### 4. Infant Mortality Rate (mortality before completing 1 year)

### 5. Maternal Mortality Rate (MMR) (Mother's death at the time of delivery per 1 lakh)

**6. Life Expectancy at birth** The average period that a person may expect to live is called life expectancy.

**7. Literacy** The literacy rate of Tamil Nadu is higher than in many States.

## 21. 'The features of Rural Economy are peculiar'- Argue.

**Meaning:**

*Rural economy refers to villages, and rural community refers to people living in villages.*

- **Village is an Institution:** The Village is a primary institution and it satisfies almost all the needs of the rural community.

- **Dependence on Agriculture:** The rural economy depends much on nature and agricultural activities.

- **Life of Rural People:** Lifestyles in villages are very simple. Public services like education, housing, health and sanitation, transport and communication, banking, roads and markets are limited and unavailable.

- **Population Density:** Population density, measured by number of persons living per sq. km is very low and houses are scattered in the entire villages.

- **Employment:** There exists unemployment, seasonal unemployment and underemployment in rural areas.

- **Poverty:** About 22 crores of people in rural areas are poor and live below the poverty line

- **Indebtedness:** People in rural areas are highly indebted owing to poverty and underemployment, lack of farm and nonfarm employment opportunities, low wage employment,

- **Rural Income:** The income of the rural people is constrained as the rural economy is not sufficiently vibrant

- **Dependency:** Rural households are largely dependent on social grants and remittances from family members working in urban areas and cities.

- **Dualism:** Dualism means the co existence of two exteremely different features like developed and underdeveloped, organised and unorganised, traditional and modern.

**22. What are the methods of measuring Elasticity of demand?**

**Methods of measuring Elasticity of Demand:**

1. The Percentage Method
2. Total Outlay Method
3. Point or Geometrical Elasticity

**1. The Percentage Method**

It is also known as ratio method, when we measure the ratio as: **Ep = L / U**

**2. Total Outlay Method**

This examines the change in total outlay of the consumer or total revenue of the firm. **Total Revenue = ( Price x Quantity Sold) TR =(P x Q)**

| Price | Quantity Demanded | Total Outlay | Elasticity |
|-------|-------------------|--------------|------------|
| 150 | 3 | 450 | e > 1 |
| 125 | 4 | 500 | e = 1 |
| 100 | 5 | 500 | e <1 |
| 75 | 6 | 450 | |

**3. Point or Geometrical Elasticity**

The point elasticity of a linear demand curve is shown by the ratio of the segments of the line to the right and to the left of the particular point.

where **'ep'** stands for point elasticity, **'L'** stands for the lower segment and **'U'** for the upper segment.
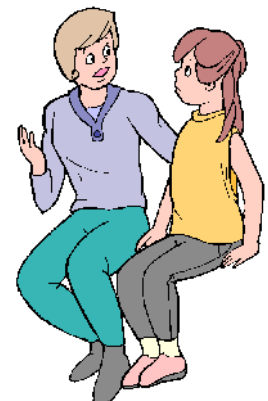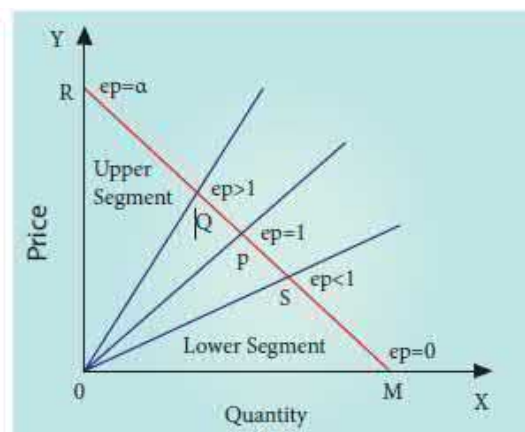
## 23. Explain the law of Equi-marginal utility.

## Meaning:

- The law of equi-marginal utility states that the consumer will distribute his money income between the goods in such a way that the utility derived from the last rupee spend on each good is equal.
- In other words, consumer is in equilibrium position when marginal utility of money expenditure on each goods is the same.

## Assumptions:

1. The consumer is rational in the sense that he wants to get maximum satisfaction.
2. The utility is measurable.
3. Money remains constant.
4. The income of the consumer is given.
5. There is perfect competition in the market

## Explanation:

- Consumer wants to spend his limited income on Apple and Orange.
- He is said to be in equilibrium, only when he gets maximum satisfaction with his limited income.

## Diagram :
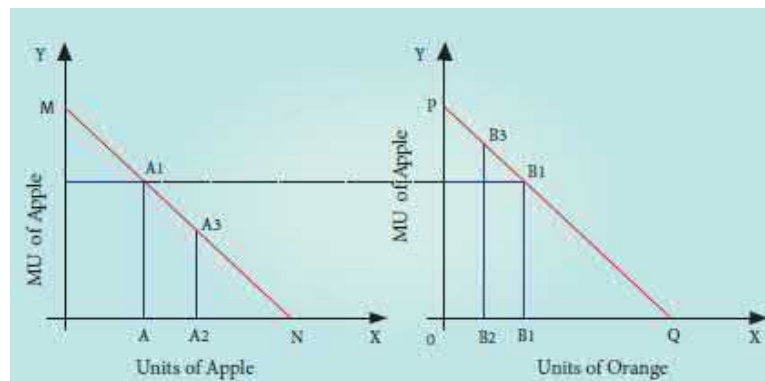


## Diagrammatic Explanation:

- **X axis** represents the amount of money spent
- **Y axis** represents the marginal utilities of *Apple and Orange* respectively.
- If the consumer spends Rs.6 on Apple and Rs.5 on Orange, the marginal utilities of both are equal i.e.,**A,A1=B,B1 (4=4).**
- Hence, he gets maximum utility.

## Criticisms:

1. In practice, utility cannot be measured, only be felt.
2. This Law cannot be applied to durable goods.

**24. If total cost = 10+Q³, find out AC, AVC, TFC, AFC when Q=5.**

  1. **TC = TFC = TVC**
  2. **AVC = TVC / Q**
  3. **AFC = TFC / Q**
  4. **AC = TC /Q**

- **TC = 10 + Q³**
- **Q = units of output where Q = 5**
- **Here, TFC =10 (TFC will not change when output changes)**

$$TC = 10 + (5)^3$$
$$TC = 10 + 125$$
$$\underline{TC = 135} \quad \text{Therefore,}$$
$$135 = 10 + TVC$$
$$135 - 10 = TVC$$
$$\underline{125 = TVC}$$

- **TVC=125**
- **TC = 135**
- **TFC = ?**

$$\underline{TC = (TFC + TVC)}$$
$$135 = x + 125$$
$$135 - 125 = 10 \quad \text{Therefore}$$
$$\underline{TFC = 10}$$

$$\underline{AFC = TFC / Q} \quad TFC = 10, Q = 5$$
$$AFC = 10 /5 = 2$$
$$\underline{AFC = 2.}$$

$$\underline{AVC = TVC / Q} \quad TVC = 125, Q = 5$$
$$AVC = 125 / 5$$
$$\underline{AVC = 25}$$

$$\underline{AC = TC / Q} \quad TC = 135, Q = 5$$
$$AC = 135 / 5$$
$$\underline{AC = 27} \quad \text{(OR)} \quad \underline{AC = AFC + AVC,} \quad \underline{AC = 2 + 25}$$

## 25. Explain price and output determined under monopolistic competition with help of diagram.

### Meaning:

Monopolistic competition refers to a market situation where there are many firms selling a differentiated product.

### Important Features

       1. Large number of buyers and many sellers.

       2. Firms produce differentiated products.

       3. Firms compete with each other by incurring selling cost

       4. Non – price competition

**Short run Profit Short run Loss Long run Equilibrium**
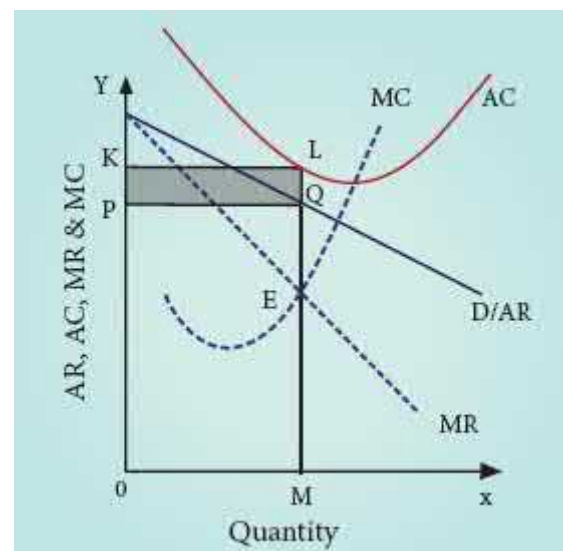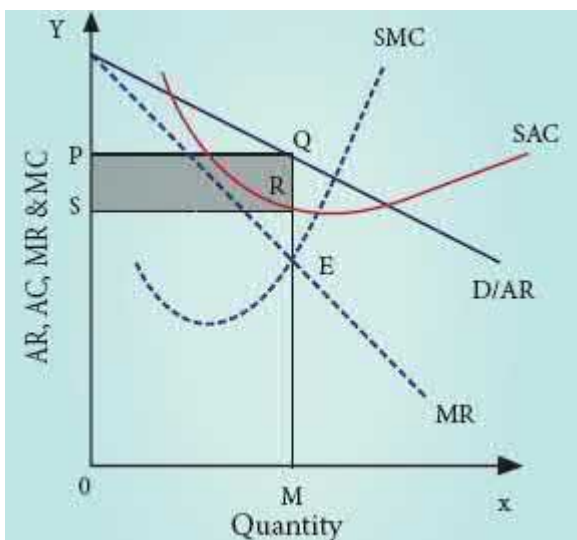


### Explanation

- The profit maximisation is achieved when MC=MR.
- Total profit is 'PQRS'. This is super normal profit under short-run.
- Total loss is 'PQLK'. This firm incurs loss in the short run.
- In the long run AR curve is more elastic
- At E' point = 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'.

## 26. Explain strong features Indian economy

### Features of Indian Economy:

### 1. India has a mixed economy:

- Indian economy is a typical example of mixed economy.
- This means both private and public sectors co-exist and function smoothly.

### 2. Agriculture plays the key role:

- Around 60% of the people in India depend upon agriculture for their livelihood.
- In fact, about 17% of our GDP today is contributed by the agricultural sector.

### 3. An emerging market:

- India has a high potential for prospective growth.
- This also makes it an emerging market for the world.

### 4. Fast Growing Economy:

- India has emerged as the world's fastest growing economy in the year 2016-17 with the growth rate of 7.1% in GDP next to China.

### 5. Fast growing Service Sector:

- The service sector, contributes a lion's share of the GDP in India.
- There has been a high rise growth in the technical sectors like Information Technology, BPO etc.

### 6. Demographic dividend:

- The human capital of India is young.
- This means that India is a pride owner of the maximum percentage of youth.

## 27. Discuss the problems of Rural Economy.

### 1. 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.

### 2. Agriculture Related Problems:

- Agricultural problems as Lack of expected awareness, knowledge, skill and attitude, Unavailability of inputs and so on.

### 3. Infrastructural Related Problems:

- Poor infrastructure facilities like, water, electricity, transport, educational institutions, communication, health and etc.,

### 4. Economics related Problems:

- The economic problems related to rural areas are: inability to adopt high cost technology, high cost of inputs and so on.

### 5. Leadership Related Problems:

- Leadership among the hands of inactive and incompetent people, self-interest of leaders, biased political will.

### 6. Administrative Problems:

- Political interference, lack of motivation and interest, low wages in villages, improper utilization of budget, and absence of monitoring.

## 28. Explain the various sources of energy in Tamil Nadu.

- Tamil Nadu **tops in power generation** among the southern States
- Tamil Nadu is in the <u>forefront of all other Indian States</u> in installed capacity.
- There are about **20 hydro electric units** in Tamil Nadu.
- The **Kalpakkam Nuclear Power Plant** and the **Koodankulam Nuclear Power Plant** are the major nuclear energy plants for the energy grid.
- The thermal power plants are at **Athippattu (North Chennai) Ennore, Mettur, Neyveli and Thoothukudi.**
- Southern Tamil Nadu is considered as one of the most suitable regions in the country for **developing solar power projects.**
- Tamil Nadu has the **highest installed wind energy capacity** in India.

## 29. Explain the objectives and characteristics of SEZs.

### Meaning of Special Economic Zones.

- A **special economic zone (SEZ)** is an area in which business and trade laws are different from the rest of the country.
- SEZs are located within a country's national borders, and their aims include: increased trade, increased investment, job creation and effective administration.

### Major Objectives of SEZs

1. To enhance foreign investment (especially FDI)
2. To increase shares in Global Export
3. To generate additional economic activity.
4. To create employment opportunities.
5. To develop infrastructure facilities.
6. To exchange technology in the global market.

### Main Characteristics of SEZ

1. Geographically demarked area with physical security
2. Administrated by single body/ authority
3. Streamlined procedures
4. Having separate custom area
5. Governed by more liberal economic laws.
6. Greater freedom to the firms located in SEZs

## 30. How price and output are determined under the perfect competition?

### Meaning of Perfect Competition

- Perfect Competition market is that type of market in which the number of buyers and sellers is very large, all are engaged in buying and selling a homogenous product at uniform price.

### Important Features

1. Large Number of Buyers and Sellers
2. Homogeneous Product and Uniform Price
3. Free Entry and Exit
4. Absence Of Transport Cost

## Price & Output Determination-Perfect Competition during Short Run
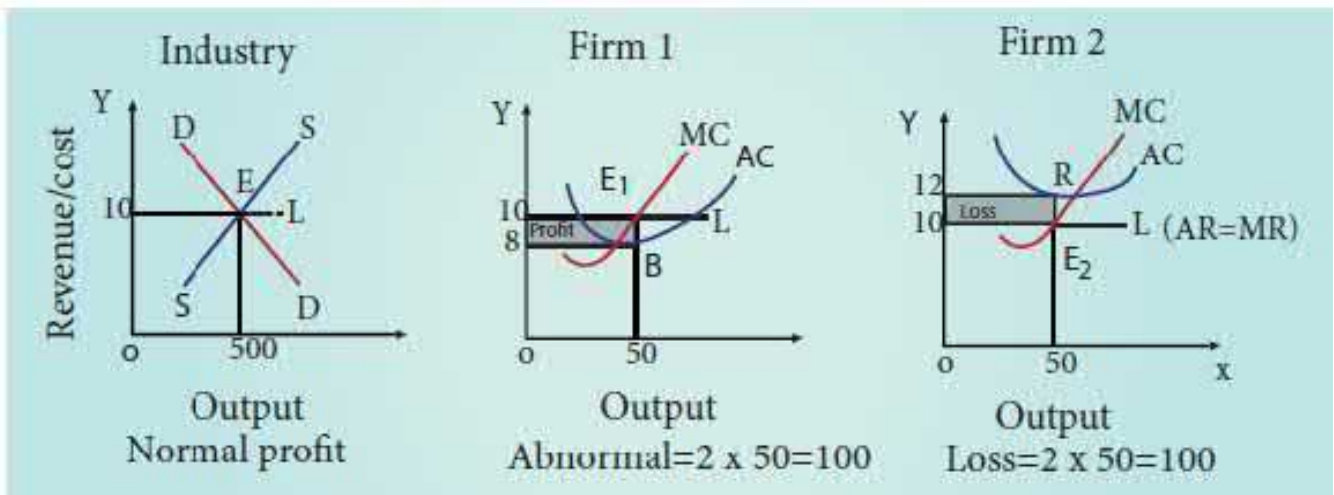


- AR – Average Revenue
- AC – Average Cost
- MR – Marginal Revenue
- MC – Marginal Cost

The firms under Perfect Competition take the price (10) from the industry and start adjusting their quantities produced.

**For example**

- **Qd= 100 – 5P**
- **Qs=5P.**
- At equilibrium **Qd=Qs.**

Therefore

$100-5P=5P$

$100 = 10P$;

$100/10 = P$

Qd = demand

P = 10 P = Price

Qd = 100-5(10) Qs = Supply

100-50 = 50

Qs = 5(10)=50

Therefore **50 = 50**

## 31. Write the importance of mineral resources in India.

**Importance Of Mineral Resources:**

**a. Iron-Ore:**

- India possesses high quality iron-ore in abundance.
- **Hematite iron** is mainly found in *Chattisgarh, Jharkhand, Odisha, Goa and Karnataka.*

## b. Coal and Lignite:

- India ranks third in the world after China and USA in coal production.
- The main centres of coal in India are the *West Bengal, Bihar, Madhya Pradesh, Maharashtra,Odisha and Andhra Pradesh.*

## c. Bauxite:

- Major reserves are concentrated in the East Coast bauxite deposits of *Odisha and Andhra Pradesh.*

## d. Mica:

- India stands first in sheet mica production and contributes 60% of mica trade in the world.

## e. Crude Oil:

- Oil is being explored in India at *many places of Assam and Gujarat.*

## f. Gold:

- India possesses only a limited gold reserve. There are only three main gold mine regions—*Kolar Goldfield, Kolar district and Hutti Goldfield in Raichur district* **(both in Karnataka)** *and Ramgiri Goldfield in Anantpur district* **(Andhra Pradesh).**

## g. Diamond:

- As per UNECE the total reserves of diamond is estimated at around **4582**, thousand carats.

## 32. Illustrate the Ricardian Theory of Rent.

**Ricardian Theory of Rent:**

**Definition:**

According to **Ricardo,** "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".

**Assumption:**

1. Land differs in fertility.
2. The law of diminishing returns operates in agriculture.
3. Rent depends upon fertility and location of land.
4. Theory assumes perfect competition.

## Schedule :

| Grades of land | Production (in bags) | Surplus (i.e Rent in bags) |
|:---:|:---:|:---:|
| A | 40 | 40-20=20 |
| B | 30 | 30-20=10 |
| C | 20 | 20-20=0 |
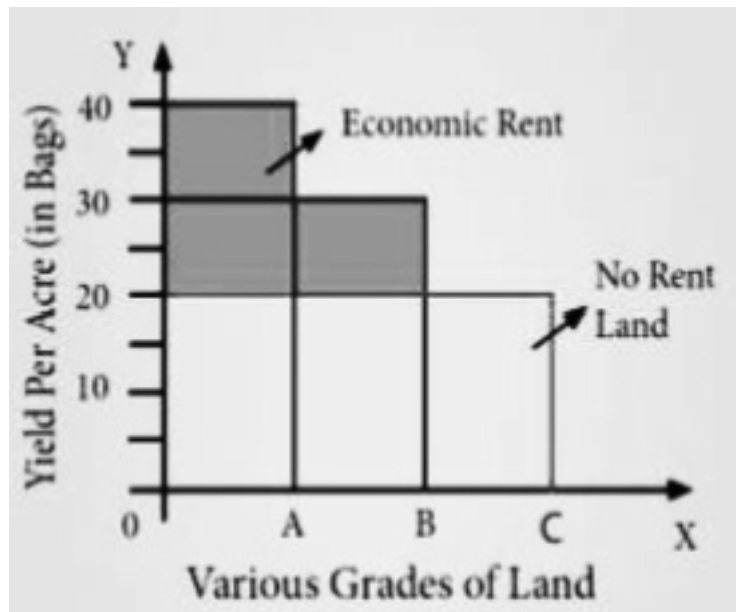


## Explanation:

- In diagram, **X axis** represents various grades of land and **Y axis** represents yield per acre (in bags).
- OA, AB and BC are the **'A' grade, 'B' grade and 'C' grade** lands respectively.
- The application of equal amount of labour and capital on each of them gives a yield represented by the rectangles standing just above the respective bases.
- The '**C' grade** land is the **"no–rent land"** 'A' and 'B' grade lands are **"intra – marginal lands".**

## Criticism:

1. The order of cultivation from most fertile to least fertile lands is historically wrong.
2. This theory assumes that rent does not enter into price. But in reality, rent enters into price

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