

CBSE Test Paper-04
Chapter 07 Indian Economy 1950-90

1. Who was formulating five year plans in India? **(1)**
 - a. Reserve Bank of India
 - b. Parliament
 - c. Supreme Court
 - d. Planning Commission
2. Up to _____, Indian Government followed an inward looking trade strategy. **(1)**
 - a. 1992
 - b. 1990
 - c. 1991
 - d. 1989
3. Legally stipulated maximum size beyond which no individual farmer can hold any land **(1)**
 - a. Land Ceiling
 - b. Abolition of intermediaries
 - c. Land consolidation
 - d. Tenancy reforms
4. In which year India adopted HYVP **(1)**
 - a. 1963
 - b. 1965
 - c. 1966.0
 - d. 1964
5. What is market surplus? **(1)**
6. Define economic planning. **(1)**
7. Which economy is referred to as a 'laissez-faire' economy? **(1)**

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8. What do you understand by License Raj? **(1)**
 9. What is sectoral composition of an economy? Is it necessary that the service sector should contribute maximum to GDP of an economy? Comment. **(3)**
 10. Why were the benefits of Green Revolution restricted to few states and few crops in initial stages of planning? **(3)**
 11. How does industries help to strengthen the economy of a country? **(4)**
 12. Give the benefits of international trade. **(4)**
 13. Define Green revolution. Why was it implemented and how did it benefit the farmers? **(4)**
 14. "Subsidies put a huge burden on the government's finances, but are necessary for poor and marginal farmers" Comment. **(6)**
 15. Many public sector undertakings are incurring huge losses and still we claim that they are desirable for the economy. Justify it by giving reasons in support of your answer. **(6)**

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Answers

1. d. Planning Commission

Explanation: In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson. The era of five year plans had begun

2. c. 1991

Explanation: During 1950-91 inward looking trade strategy was adopted by Government. In the first seven plans trade was characterised by what is commonly called inward looking trade strategy. Technically this strategy is called import substitution.

3. a. Land Ceiling

Explanation: Land ceiling refers to fixing the the maximum size of land holdings individuals can own. Land above the ceiling limit would be known as surplus land which can be taken away by the government without paying compensation to the original owner.

4. c. 1966.0

Explanation: The High Yielding Variety Programme (HYVP) was launched in the Kharif of 1966-67 with an objective to attain self-sufficiency in food by 1970-71. The core philosophy of the programme was to increase the productivity of food grains by adopting latest varieties of inputs of crops.

5. Marketing surplus is the part of production sold in the market after self consumption of the producer.

6. Economic Planning is organised and coordinated efforts to achieve certain self defined objectives within a fixed time frame through optimum utilisation of community's resources so as to promote general well-being.

According to the Planning Commission, "Economic planning means utilisation of country's resources in different development activities in accordance with national priorities ."

7. Capitalist economy is also called "laissez faire" economy. It has minimum interference or restriction from the government.

8. Excessive regulation and control by the government during planning period was termed as License Raj or Permit License Raj. It was the time when there were too many rules and regulations for private sector and foreign sector to enter the market. It prevailed under Industrial Policy Resolution (IPR) 1956.

9. The sectoral composition of an economy is the contribution of different sectors to the total GDP of an economy during a year. That is the share of the agricultural sector, industrial sector and service sector in GDP.

It is necessary that at the later stages of development, the service sector should contribute the maximum to the total GDP.

There exists a phenomenon called structural transformation which implies that as a country develops, gradually the country's dependence on the agricultural sector will shift from the maximum to minimum and at the same time, the share of industrial and service sector in the total GDP will increase. In more developed countries, the share of the service sector is the maximum.

Traditionally, it has been seen that an economy remains over-dependent on agriculture during the initial stages of development. It gradually progresses to being dependent on the industries. In the case of developed economies, dependency on services sector is the highest. This is not a rule but experience from most of the developed economies suggests that a higher contribution by services sector is an indication towards a developed economy.

Therefore, to ensure that a country is economically developed, the share of service sector should be the maximum.

- 10.
- Green Revolution was restricted to the more affluent states of Punjab, Andhra Pradesh and Tamil Nadu because the Green Revolution was based on the use of High Yielding Varieties (HYVs) of seeds, which required reliable irrigation and financial resources to buy better inputs.
 - Further, the use of High-yielding varieties (HYVs) seeds primarily benefited the rice and wheat growing regions. Thus, the benefit of the Green Revolution was initially restricted to few states and the crops of wheat and rice only.

11. Industries help to strengthen the economy of a country in the following ways:

- i. Industries help in the establishment of the infrastructure of the country such as dams, railways, etc. Infrastructural development helps in the growth of other sectors also.
- ii. Expansion of capital goods industries pave the way for industrial growth and as a result, the economy is able to undertake large scale production of goods at low cost.
- iii. Industries help in increasing agricultural productivity by supplying the agricultural sector with mechanised means of production such as tractors, threshers, etc and also with fertilisers, insecticides, etc.
- iv. Industrialisation helps a country to become self-reliant in the production of defence goods.
- v. Industrialisation brings many more reforms to the places where they got established. Eg. an increase in local land price, improved transportation and finally increased revenue.

12. **The main benefits of international or foreign trade are discussed below:**

- i. International trade encourages specialisation on the basis of comparative advantage. This enables a country to obtain foreign goods at a cheaper rate in the context of the domestic resources used.
- ii. International trade widens the scope of industrialisation.
- iii. International trade helps the country to earn valuable foreign exchange.
- iv. An increase in export trade widens the country's total market. Production of more goods will further lower the cost of production, leading to lower cost per unit.
- v. International trade encourages competition, leads to innovation and increases capital flows.
- vi. International trade acts as an 'engine of growth'. It transmits growth from one part of the world to another. So, the demand in Britain for raw material brought prosperity to Australia, Canada, New Zealand, etc.

13. This refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice.

At the time of Independence 75 % of the country's population was dependent on

agriculture. Productivity in the agricultural sector was very low because of the use of old technology and the absence of require infrastructure for the vast majority of farmers.

A good proportion of the rice and wheat produced during the green revolution period (available as marketed surplus) was sold by the farmers in the market.

14. Subsidies to farmers has always been a debatable issue. It is beyond doubt that subsidies result in huge financial burden on the government. But in the absence of subsidy, only the rich farmers would be benefited from new technologies; like HYV, fertilizers, pesticides and irrigation facilities. This will make the rich farmers more prosperous but the poor farmers would become even worse. Subsidizing HYV seeds, fertilizers, farm equipments, etc. helps even small farmers to improve their productivity. In the long run, good farm output benefits not only the farmers but the whole nation. Hence, in spite of putting some financial burden on the government, subsidies definitely help the farming community in particular and the whole society in general.
15. It is well known that public sector undertaking operate with a motive of social welfare and not profit. It is wrong to judge usefulness of an organization working for welfare motive on the basis of profit. Even if PSUs are not incurring profits, they are useful because:
 - a. It creates a strong industrial base.
 - b. It helps in development of social and economic infrastructure.
 - c. It concentrates on development of backward regions and thereby promotes regional equality.
 - d. It helps to prevent concentration of power in a few hands.
 - e. It reduces income inequalities.
 - f. It creates employment in formal sector.
 - g. It has been playing an important role in the gross domestic capital formation of the country.