

Chapter : 2

Basic Economic Problems

Give Very Short Answer :

Q1. Define.

- (a) Poverty
- (b) Unemployment
- (c) Density of population
- (d) Sex ratio
- (e) Absolute poverty
- (f) Relative poverty
- (g) Sustainable development
- (h) Green economy

Ans: (a) Poverty : Poverty is a situation wherein a person cannot fulfil his primary needs in terms of food, clothing, shelter, education and health services.

(b) Unemployment : Unemployment means a situation when the able-bodied persons, who are willing and capable to work under the prevailing wage rate do not get suitable jobs.

(c) Density of population : Density of population is a measurement of a population per square kilometre.

(d) Sex ratio : Sex ratio is defined as the number of females per thousand (1000) males.

(e) Absolute poverty : Absolute poverty is defined as a condition wherein an individual is deprived of basic necessities of life, viz. food, shelter, etc.

(f) Relative poverty : Relative poverty is a condition wherein an individual is deprived of minimum amount of income required for maintaining average standard of living in the society.

(g) Sustainable development : According to the World Commission on Environmental and Development, sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

(h) Green economy : A green economy is an economy that aims to eliminate environment risks and problems of the ecological system and attains sustainable development without degrading the environment.

Q2. What is poverty line? What is the poverty line in rural and urban areas?

Ans: Poverty line is defined as the per-capita consumption expenditure required to attain a minimum acceptable standard of living. According to the Planning Commission of India, poverty line is measured in terms of consumption of calories.

Q3. What is the population of India and Assam according to the 2011 census?

Ans: According to the census 2011 census, the population of India is 121 crores and that of Assam is about 3 crores and 12 lakhs.

Q4. What percentage of the total land area of the world is in India?

Ans: 2.4% of the total land area of the world is in India.

Q5. Which state of India has the highest sex ratio with how much is it?

Ans: According to the scope 2011 census, Kerala has the highest sex ratio with 1084 females per 1000 males.

Q6. What is the density of population of Assam?

Ans: According to the 2011 census, the density of population of Assam is 397 people.

Q7. What is disguised unemployment?

Ans; Disguised or hidden unemployment is a situation where more individuals are employed than actually required and the additional workers do not contribute anything to the total production, e.g., in Indian agriculture, disguised unemployment is prevalent. Since the area of land does not increase proportionately to the increasing population, the rural masses have to stick to their traditional agricultural sector. As a result, everyone is employed, but sufficient work is not available for each individual.

Q8. What is disguised unemployment?

Ans: Inflation refers to a substantial and rapid increase in the prices of all goods and services in an economy with a subsequent reduction in the value of money.

Q9. What are the causes of inflation?

Ans: The main causes of inflation are :

(i) Demand pull inflation

(ii) Cost push inflation

Q10. What is known as suppressed inflation?

Ans: Suppressed inflation occurs when the government prevents the price rise through direct methods like public distribution system, fixation of prices by the government,

etc. which keeps the price level below the price level of open inflation.

Q11. How many workers are there in an unregulated or unorganized sector is less than 10.

Q12. Complete the following :

Worker-population ratio =

$$= \frac{\text{Total working population}}{\text{?}} \times 100$$

Ans : Worker-population ratio =

$$= \frac{\text{Total working population}}{\text{Total population}} \times 10$$

Q13. Which committee put forward the definition of sustainable development and in which year did it do so?

Ans: The Brundtland Commission, also known as the World Commission on Environment and Development put forwarded the definition of sustainable development in 1987.

Q14. What is the motto of environmental thinkers?

Ans: The motto of environmental thinkers is - 'Think globally, act locally'.

Give Very Long Answer :

Q1. Discuss the main causes for the main causes for the problem of rapid growth of population in India.

Ans: The main causes for the problem of rapid growth of population in India are :

(i) High birth rate : In India, the birth rate is higher than death rate, which results in high population growth.

(ii) Illiteracy : Illiterate people fail to understand the need to prevent excessive growth of population.

(iii) Poverty : Illiteracy often leads to poverty and lack of education results in unplanned birth of many children, thereby increasing population.

(iv) Lack of social consciousness : In India, the concept of early marriage still prevails which increases the child bearing age.

(v) Lack of population education : In India most people are unaware of the available birth control measure and hence fail to adopt proper family planning.

(vi) Migration : Illegal migration is continuously taking place from the neighbouring states and countries leading to increased population density of Assam.

Q2. What is poverty? Explain how the poverty line determines poverty.

Ans: Poverty is a situation wherein a person cannot fulfil his primary needs in terms of food, clothing, shelter, education and health services. The poverty line is an economic benchmark used to indicate a low point in the distribution line. It is determined using various parameters and classifies a country's population into 'poor' and 'non-poor'. Many economists had come forward to define India's poverty line. However, the definition given by the Planning Commission of India is the most widely accepted.

According to this definition, poverty line is measured in terms of consumption of calorie intake. Hence, those individuals who are unable to have a minimum intake of 2400 calories in the rural areas and 2100 calories in the urban areas are said to be living below the poverty line. In this definition, criteria are different for rural and urban areas because the calorie requirement of people in rural areas is more as they are engaged in more manual work compared to urban people.

Q3. What is inflation? Discuss the main methods of controlling inflation.

Ans: Inflation refers to a substantial and rapid increase in the prices of all goods and services in an economy with a subsequent reduction in the value of money. It occurs when the demand for goods and services increases more than their existing supply.

In the words of Coulburn, "Inflation is a situation of too much money chasing too few goods" Thus, in his opinion too much money or purchasing power results in increased demand for goods having short supply in the market which leads to increase in price level.

The main methods of controlling inflation are :

(i) Monetary measures : One popular monetary measure of controlling inflation is increasing bank rate. Bank rate is the rate at which the central bank provides loans to commercial banks. When the bank rate is increased, commercial banks have no choice than to increase their market rates as well. As a result, people are discouraged to take loans which leads to reduction in money in circulation. In this way, inflation is controlled.

(ii) Fiscal measures : The fiscal policy is also known as the income and expenditure method. The government implements the fiscal measures to control an inflationary situation by :

(a) Reduction in government expenditure : In order to curb inflation, the government should reduce unnecessary expenditure for reducing aggregate demand in the country.

(b) Levying different taxes : To cut personal consumption expenditure, the government should levy different taxes on the common people. As a result, excess money is transferred to the government from the general public.

(c) Public debt : The government should encourage public borrowing so that the excess purchasing power is withdrawn from the public.

(iii) Increase in production : For increasing productivity, the government should take measures for people utilisation of unutilised resources. In this way, the supply of goods can be increased for meeting the increased aggregate demand. Thus price level can be maintained in this way.

Q4. What is unemployment? What are its different types? Mention the main causes of this problem?

Ans: Unemployment is a situation when the able-bodied persons, who are willing and capable to work under the prevailing wage rate do not get suitable jobs. In other words, it is a situation when a person is not gainfully employed in any productive activity. Thus it is a situation in which number of jobseekers exceeds the number of job providers. On the basis of nature, unemployment can be classified into two broad categories. These are:

[A] Rural unemployment :

(i) Seasonal unemployment : When workers get employment for a particular season of the year and remain idle for the rest of the time, it is known as seasonal unemployment.

(ii) Disguised unemployment : Disguised or hidden unemployment is a situation where more individuals are employed than actually required.

[B] Urban unemployment :

(i) Industrial unemployment : Industrial unemployment is a situation in which an individual is unable to find employment in the industries.

(ii) Education unemployment : When highly productive workers do not suitable job due to slow economic growth, then technical or skilled or educated unemployment situation creeps up in the economy.

The main causes of unemployment are :

(i) High rate of population growth : Due to rapid growth of population, it has become difficult to solve the problem of unemployment. The employment opportunity do not increase proportionately to the growth of population. So, the outcome is the creation of additional labour force.

(ii) Jobless growth : A jobless growth is an economic phenomenon wherein there is an increase in the gap between the rate of growth of national income and the rate of employment, which raises the problem of unemployment.

(iii) Stagnant agricultural development : India is primarily an agricultural country. However, this sector is suffering

from a poor growth rate. This is the main cause of unemployment in our country.

(iv) Slow rate of industrialisation : Although the industrial sector has progressed a lot in the post independence period, yet it is far below the targeted rate of generating employment opportunities.

(v) Faulty education system : In India, there is a lack of experience and qualified teachers to provide vocational and technical education. As a result, Indian masses are unfit for self-employment thereby increasing the problem of unemployment.

(vi) Miscellaneous causes :

(a) Discouraging capital information

(b) Poverty

(c) Absence of appropriate plan for generating employment opportunities.

Q5. Write short notes :

(a) Seasonal unemployment.

Ans: When workers get employment for a particular season of the year and remain idle for the rest of the time, it is known as seasonal unemployment.

e.g. in the absence of multiple cropping system and subsidiary occupation, the agricultural labourers have to

remain idle for a major part of the year. These labourers are employed for the purpose of weeding is seeds, harvesting, planting, etc. for a few months, whereas remain idle during the off-season.

(b) Demand-pull inflation : Demand-pull inflation occurs when prices rise due to an increase in the demand for goods and services which is not matched by their available supply. The purchasing power of the people to buy limited goods and services in the market is more than their availability. This pushes up the price and leads to an inflationary situation. Demand-pull inflation occurs due to the following factors :

(a) High rate of growth of population.

(b) Increase in public expenditure.

(c) Deficit financing.

(d) Black money. Cost-push inflation : Cost-push inflation occurs when prices rise due to the increase in the cost of production of goods and services. There are mainly three causes of cost-push inflation :

(a) Increment in wages.

(b) Rise in profits.

(c) Incidence of taxes on goods.

(c) Sustainable development.

Ans: In 1987, the concept of sustainable development was put forward by the Brundland Commission or the World Commission of Environment and Development. According to this commission, sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It aims to protect the environment from the adverse effects of economic development and growth. The need for sustainable development arises due to the following reasons :

(i) Increasing temperature of the earth over every decade leading to the problem of global warming.

(ii) Deterioration of the environment due to :

(a) competition among the countries for economic growth;

(b) damaging biodiversity;

(c) climate change; etc.

(d) Green economy.

Ans: The green economy is defined as an economy that aims to remove the threats to the environmental and the problems of the ecological system. It strives to achieve sustainable development without degrading the environment. The motto for the environmentally conscious individuals and institutions is :

'Think globally, act locally'

(e) Open and suppressed inflation.

Ans: When the government does not attempt to restrict inflation and there is unrestricted rise in prices, such a situation is known as open inflation. On the other hand, when the government prevents the price rise through direct methods like public distribution system, fixation of prices by the government, etc, it is called suppressed inflation. In this inflation, the price level is kept below the price level of open inflation using control methods.