

Chapter 2

Indian Economy 1950-1990

Q. 1 Define a plan.

Answer:

Plan is a written document that provides the information about the schemes, programs and strategies that are to be undertaken in future for achieving the future goals and objectives.

Q. 2 Why did India opt for planning?

Answer:

At the time of independence in 1947, Indian economy was in a very poor and backward condition. So it was a challenge for Indian government to solve the problems of people and to provide them a better living condition.

Planning was undertaken to sustain political independence and to generate economic prosperity.

India wanted to opt socialism like Soviet Union and so it went for planning to emphasize on public sector as well as to allow active participation of private sector. The planning commission was established in 1950.

Q. 3 Why should plans have goals?

Answer:

Goals are the targets for which plans are made. Plan specifies the methods and strategies regarding the allocation of resources for the attainment of proposed targets or goals.

Goal is an important part of a plan without which the plan will be like life without soul. Thus, we can say that every plan must have a goal so

that it can be achieved within a specified period of time and ensure the success of the plan.

Q. 4 What are High Yielding Variety (HYV) seeds?

Answer:

High yielding variety seeds are the miracle seeds which result in high production level when combined with adequate water supply, fertilizers, pesticides, etc.

Q. 5 What is marketable surplus?

Answer:

Marketable surplus is that part of total agricultural output which is sold in the market by the farmer after fulfilling his own need. We can define it as the excess of total farm output over the own consumption of farmers.

Q. 6 Explain the need and type of land reforms implemented in the agriculture sector.

Answer:

After independence the land reforms were necessary –

- To promote the agricultural productivity
- To remove intermediaries and make a direct link between farmer and government and
- To bring equity in agriculture
- The land reforms that were implemented in agricultural sector –
- Tenancy reforms and
- Reorganization of agriculture

Tenancy reforms is concerned with –

- Rent regulation
- Security of tenure and

- Ownership rights of tenants

Reorganization of agriculture is concerned with –

- The distribution of land
- Consolidation of holdings and
- Co-operative farming

Q. 7 What is Green Revolution? Why was it implemented and how did it benefit the farmers? Explain in brief.

Answer:

The significant and continuous increase in agricultural production due to the use of high yielding variety seeds, irrigation facilities, and fertilizers is known as green revolution.

The benefits of green revolution can be summarized as below –

1. In beginning the green revolution was limited to wheat and rice and so it succeeded in removing the ruler poverty of the states engaged in growing wheat and rice.
2. The traditional methods of farming were transformed into modern methods of farming.
3. It solved the problem of seasonal unemployment to a great extent because it became possible to grow more than one crop on a piece of land and so the workers could be engaged throughout the year.

Q. 8 Explain ‘growth with equity’ as a planning objective.

Answer:

Growth with equity means development with social justice. After independence the Indian government had two objectives - one was economic growth and the second equity.

Economic growth means increase in national income and GDP and equity means reduction in inequality, up-liftment of the weaker sections of society, and equal distribution of economic power.

When the both objectives are attained together it means growth with equity.

Q. 9 Does modernization as a planning objective create contradiction in the light of employment generation? Explain.

Answer:

Modernization as a planning objective means introducing new technologies. The use of advanced technology requires less labour for one unit of output so in some way modernization create unemployment at the beginning, but in long run modernization will not contradict with employment generation because with help of modern technology the GDP will increase, which will increase the income and demand and this will require more output and hence it will generate job opportunities.

Q. 10 Why was it necessary for a developing country like India to follow self-reliance as a planning objective?

Answer:

Self-reliance means avoiding the import of such goods which could be produced domestically. The benefits of self-reliance are –

- Self-sufficiency in food grains
- Decreased imports and increased exports
- Increased Gross Domestic Product
- Economic growth and modernization

Therefore, for a developing country like India self-reliance as a planning objective is very important so as to improve the economic condition of the country and to make it independent.

Q. 11 What is sectoral composition of an economy? Is it necessary that the service sector should contribute maximum to GDP of an economy? Comment.

Answer:

Sectoral composition of an economy means the contribution of each sector in the GDP of the country. Countries having maximum contribution from the service sector in their GDP are economically developed.

Q. 12 Why was public sector given a leading role in industrial development during the planning period?

Answer:

The public sector was given a leading role in Industrial Development during the planning period due to the following reasons –

- For creating strong industrial base
- For developing the infrastructure and for development of the backward areas
- For equal distribution of economic power
- To remove inequality of income and wealth
- For employment generation
- For self-reliance
- To mobilize savings and for earning Foreign Exchange

Q. 13 Explain the statement that green revolution enabled the government to procure sufficient food grains to build its stocks that could be used during times of shortage.

Answer:

The given statement is quite true. Green revolution enabled the farmers to produce more of food grains and to sell the extra production, that is the production left after their own consumption, in the market.

Government purchase food grains either directly from the farmers or from the market at minimum prices and keep stock which can be used during the period of emergencies.

After Green Revolution we have no more dependency on other countries for supply of food grains rather we became self-reliant mainly in the field of producing food grains and also became exporter of food grains to other under developed nations.

Q. 14 While subsidies encourage farmers to use new technology, they are a huge burden on government finances. Discuss the usefulness of subsidies in the light of this fact.

Answer:

Subsidy means the economic benefit given by the government directly or indirectly to the domestic producers of goods and services.

Agricultural subsidy means the benefit given to the farmers for using new and advanced technologies and producing more food grains.

These subsidies are important because –

- They provide an incentive for adoption of new technology by the farmers specially the small farmers.
- It assures farmer against the risk of new technology.
- It provides hedging against the risk of climatic conditions and brings equity between rich and poor farmers by enabling the poor farmers to use modern technology and imports.

However, these subsidies are burden for the government and arguments against agricultural subsidies are –

- The objective of granting subsidies was adoption of new technology in agriculture and as the new technology has been widely adopted so now the subsidy should be removed.
- After certain limit subsidies provided incentive for the wasteful use of resources.

- The rich farmers also enjoy the benefits of subsidies though they don't require it.
- Subsidies benefit the fertilizer industry more than the farmers.

Q. 15 Why, despite the implementation of green revolution, 65 per cent of our population continued to be engaged in the agriculture sector till 1990?

Answer:

After green revolution the Indian agricultural production increased substantially and made India self-reliant in terms of food grains but the increase was limited to wheat and rice. These crops were produced in few states of India and so the farmers of other state started looking job in manufacturing and service sector but the economy was not ready to absorb this wider section of community so the major part of the population was forced to remain dependent upon agriculture because the manufacturing and service sector were facing slow growth and this is the reason due to which 65% of our population continued to be engaged in agriculture even after green revolution till 1990.

Q. 16 Though public sector is very essential for industries; many public-sector undertakings incur huge losses and are a drain on the economy's resources. Discuss the usefulness of public sector undertakings in the light of this fact.

Answer:

Public sector undertakings are useful because

- a) They create strong industrial base
- b) They prevent concentration of economic power
- c) They help in employment generation
- d) They help in import substitution

e) The help in removing regional imbalance and play major role in development of backward areas

f) They help in the development of the infrastructure

Q. 17 Explain how import substitution can protect domestic industry.

Answer:

Import substitution means producing goods in own country than importing them. The government protected the domestic industries from foreign competition by the policy of import substitution.

For this purpose, two important steps were taken -

- At first tax or duty was imposed on import which made the imported goods expensive and
- Secondly quota was fixed for the quantity of goods that can be imported.

Q. 18 Why and how was private sector regulated under the IPR 1956?

Answer:

Under the IPR 1956 the private sector was given minimum role. Before starting operation, the new industries were required to obtain license from government, which was given after a proper scrutiny by the government.

The private sector was regulated to promote regional equality and to promote industry in backward regions

Q. 19 Match the following:

1. Prime Minister	A. Seeds that give large proportion of output
2. Gross Domestic	B. Quantity of goods that can be imported
3. Quota	C. Chairperson of the planning commission

4. Land Reforms	D. The money value of all the final goods and services within the economy in one year
5. HYV Seeds	E. Improvements in the field of agriculture to increase its productivity
6. Subsidy	F. The monetary assistance given by government for production activities.

Answer:

1. Prime Minister	C. Chairperson of the planning commission
2. Gross Domestic	D. The money value of all the final goods and services within the economy in one year
3. Quota	B. Quantity of goods that can be imported
4. Land Reforms	E. Improvements in the field of agriculture to increase its productivity
5. HYV Seeds	A. Seeds that give large proportion of output
6. Subsidy	F. The monetary assistance given by government for production activities

Prime Minister - Chairperson of the planning commission

Gross Domestic - The money value of all the final goods and services produced within the economy in one year

Quota - Quantity of goods that can be imported

Land Reforms - Improvements in the field of agriculture to increase its productivity

HYV Seeds - Seeds that give large proportion of output

Subsidy - The monetary assistance given by government for production activities