

Maharashtra State Board Class 11 Economics Solutions Chapter 1

Basic Concept in Economics

1. Choose the correct option:

Question 1.

Statements related to Economics:

- (a) Economics is a social science.
- (b) Concept of economics is derived from the Greek word 'Oikonomia'.
- (c) Economics is related to the study of human economic behaviour.
- (d) Economics is related to the management of the household.

Options:

- (1) a, b and c
- (2) a and b
- (3) b and c
- (4) a, b, c, and d

Answer:

- (1) a, b and c

Question 2.

Statements incorrect with reference to Adam Smith's definition:

- (a) Adam Smith is a classical economist.
- (b) Wealth of Nations is authored by Adam Smith.
- (c) Economics is the science of wealth.
- (d) Economics studies common man.

Options:

- (1) d
- (2) a, b and c
- (3) a and d
- (4) c and d

Answer:

- (1) d

Question 3.

Key points in Lionel Robbins' definition:

- (a) Wants are unlimited
- (b) Means are limited
- (c) Wants are not gradable
- (d) Means have alternative uses.

Options:

- (1) a and b
- (2) b and c
- (3) a, b and d
- (4) a, b, c, and d

Answer:

- (4) a, b, c, and d

Question 4.

Statements related to wealth:

- (a) Wealth means anything which has market value and can be exchanged for money.
- (b) It is external to a human beings.
- (c) Wealth has no utility.
- (d) Wealth is scarce and exchangeable.

Options:

- (1) a, b and d
- (2) a, c and d
- (3) b, c, and d
- (4) None of the above

Answer:

- (1) a, b and d

Question 5.

Aspects considered in National Income:

- (a) Final goods and services are included in national income.
- (b) Produced goods in a financial year are included in national income.

(c) Double counting is avoided.

(d) Value is considered as per market price.

Options:

(1) a and c

(2) b and c

(3) a, c and d

(4) a, b, c, and d

Answer:

(3) a, c and d

2. Complete the correlation:

Question 1.

Natural sciences : Exact sciences : : Social sciences : _____

Answer:

Abstract/Inexact Sciences

Question 2.

Physics : _____ : : Psychology : Social Science

Answer:

Natural Science

Question 3.

Arthashastra : Kautilya : : Wealth of Nations : _____

Answer:

Adam Smith

Question 4.

Necessity : _____ : : Comforts : Washing machine

Answer:

Food

Question 5.

Free goods : Value-in-use : : Economic goods : _____

Answer:

Value-in-exchange

3. Identify and explain the concepts from the given illustrations:

Question 1.

My father purchased a two-wheeler vehicle. This helps to fulfill my travel needs.

Answer:

Comfort Want.

Comforts are those wants that make our life comfortable. In the above illustration, the purchase of a two-wheeler vehicle will make my travel easier. It is not a necessity, it is for my comfort.

Question 2.

A study of the annual income of the family of Ramesh.

Answer:

Micro Economic – Personal Income

Microeconomics is the study of particular firms, particular households' individual prices, wages, incomes, individual industries, particular commodities. In the above illustration, since it is a study of individual families, it will rightly be said as microeconomic and form the part of Personal Income.

Question 3.

As per the data for the financial year 2018-19, the country's production of goods and services increased by 20%.

Answer;

Economic Growth.

Economic growth means an increase in the real national income of the country. In the above illustration, since the country's production of goods and services has increased, it is rightly said to be economic growth.

Question 4.

Karuna's mother saves ₹ 1000/- every month out of her given salary.

Answer:

Savings.

Saving is a part of income, which is kept aside to meet future needs. In the above illustration, since Karuna's mother is foregoing her current consumption, it forms part of her savings.

Question 5.

Ram's father utilized his provident fund amount to set up the grocery store.

Answer:

Investment.

Investment refers to the creation of capital assets through mobilisation of savings. In the above case, Mr. Ram's father mobilises his savings of provident fund into a business of grocery store, which is called as Investment.

4. Answer the following:

Question 1.

Explain the features of wealth.

Answer:

In economics, wealth is anything that has market value and which commands a price.

Wealth is a commodity that can be exchanged for money.

A commodity must possess the following features to be considered wealth.

- Utility
- Scarcity
- Transferability
- Externality

(i) Utility: Utility means the capacity of a commodity to satisfy a human want. A commodity must have to want satisfying power. E.g. books, calculators, etc. have utility. So they are regarded as wealthy.

(ii) Scarcity: A commodity is called wealth, if it is scarce in supply then its demand. All economic goods are considered as wealth because the price is paid for them due to scarcity.

(iii) Transferability: A commodity is called wealth if it can be transferred from one person to another. It includes material or tangible goods. E.g. furniture, car, etc.

(iv) Externality: A commodity is regarded as wealth only if it has externality i.e. it must be external to the human body. E.g. computer. (In the case of transferability, Physical transferability means the actual transfer of goods from one person to another. Whereas, notional transferability refers to the transfer of ownership rights. E.g. land, building, etc.) Internal qualities of human beings like voice, beauty, etc. are neither external nor transferable. So they are not wealthy in an economic sense.

Question 2.

Explain the characteristics of human wants.

Answer:

In the ordinary sense, the word, 'want,' and 'need' are considered as same. But, in economics, a need is something that is necessary for survival whereas, want is the expression of lack of satisfaction. It enables the person to satisfy his want.

Characteristics of wants are as follows:

- Wants are unlimited: Wants are multiple. They are never-ending. They arise again and again. When one want is satisfied another arises. Wants go on increasing.
- Wants are recurring in nature: Some of the humans want to occur again and again. They arise even if it is satisfied once. E.g. We take food after a certain time interval to satisfy hunger.
- Wants are complementary: Some wants are complementary to each other. Sometimes, two or more goods are required to satisfy single want. E.g. the want for mobile can be satisfied only when we fulfill the want of a sim card.
- Wants to differ with gender: Wants of men and women are different, as per their needs. E.g. a lady may take Saree while a gentleman wants a Shirt and Tie.
- Wants to differ with age: Human wants to go on changing as age differs. E.g. a baby wants a doll whereas a student wants a book, etc.
- Wants are competitive: We cannot satisfy all our wants at a time because means are limited. So there is competition among wants. That want is preferred first which is most urgent.
- Wants are alternative: Some wants are alternative. E.g. having tea or coffee, using an umbrella or raincoat, etc.
- Wants to differ with culture: Human wants to vary with culture. E.g. an American wants a coat and hat while an Indian wants a kurta.
- Wants to differ with climate: Wants to go on changing with the season. E.g. a person who wants woolen clothes in winter and Ice-cream in summer.
- Wants to differ with preferences: Human wants to differ according to tastes and preferences. Wants are also influenced by the habits of the people. E.g. Person 'A' has a preference for books, while Person 'B' has a preference for clothes.

5. State with reasons whether you agree or disagree with the following statements:

Question 1.

All wants can be satisfied at a time.

Answer:

No, I do not agree with the statement.

- Human wants are unlimited.
- They are unending. If one want is satisfied, another want arises and this goes on to increase.
- Some wants occur again and again even if satisfied once.

Question 2.

Human wants change as per the seasons and preferences.

Answer:

Yes, I agree with the statement.

- In the economic sense want means a feeling of 'lack of satisfaction,
- This feeling enables the person to satisfy his want.
- Human wants to differ with seasons.
- E.g. a person requires woolen clothes in winter and an umbrella in the rainy season.
- Wants also differ from preferences, i.e. they are influenced by individual habits and tastes.

Question 3.

Value-in-use and Value-in-exchange are the same.

Answer:

No, I do not agree with the statement.

- Value-in-use refers to the usefulness of a commodity. Air, Water, Sunshine, etc. have high value in use.
- They are basically free goods.
- Value in exchange means the value of a commodity expressed in terms of money that is the price of a commodity.
- E.g. Car, T.V., computers, etc., have value-in-exchange as they command a price. They are called economic goods. Thus, value in use and value in exchange is not the same.

[6. Answer in detail:](#)

Question 1.

Explain the basic concepts of macroeconomics.

Answer:

Macroeconomics is the study of aggregates covering the entire economy like total employment, national income, national output, total investment, total savings, total consumption, aggregate supply, aggregate demand, general price level, etc.

Concepts of Macro Economics.

- National Income: It is the aggregate monetary value of all final goods and services produced in a country during a year.
- Saving: It is that part of income that is not spent currently as consumption in order to satisfy future needs.
- Investment: It means the creation of capital assets through mobilisation of savings, e.g. investment in machinery, equipment, etc.
- Trade Cycles: Fluctuations in business due to inflation and deflation in the economy are called trade cycles.
- Economic Growth: It means an increase in the real income of the country, over a larger period of time It is a quantitative concept.
- Economic Development: It means economic growth along with progressive changes in the well-being of the people of the country. It is a qualitative concept.

11th Economics Digest Chapter 1 Basic Concept in Economics Intext Questions and Answers

[Do you know? \[Textbook Page. No. 1\]](#)

Who was Kautilya?

Answer:

Kautilya was a great statesman, philosopher, economist, and royal advisor during the Mourya period. He is also known as 'Chanakya' or 'Vishnugupta'. He wrote a book called 'Arthashastra'.

[Do you know? \[Textbook Page. No. 2\]](#)

(a) Who contributed to the field of Environmental Economics?

Answer:

Mr. Nordhaus contributed to the field of Environmental Economics.

(b) Who won Nobel Memorial Prize in Economics for 2018?

Answer:

Paul Romer and William Nordhaus won Nobel Memorial Prize in Economics for 2018.

[Find out: \[Textbook Page No. 2\]](#)

Other Nobel Prize winners in Economics.

Answer:

Nobel Prize Winners (2010 – 2017)

Year	Noble Prize Winners
2010	Dale T. Mortensen, Christopher A. Pissarides, Peter Diamond
2011	Thomas J. Sargent, Christopher A. Sims
2012	Alvin E. Roth, Lloyd Shapley
2013	Robert J. Shiller, Eugene Fama, Lars Peter Hansen
2014	Jean Tirole
2015	Angus Deaton
2016	Bengt Holmstrom, Olive Hart
2017	Richard Thaler
2018	William Nordhaus, Paul Romer
2019	Abhijit Banerjee, Esther Duflo, Michael Kremer
2020	Paul Milgrom, Robert B. Wilson

[Do you know? \[Textbook Pg. No. 2\]](#)

Name the economist belonging to:

Classical School of Thought of 18th century	Neo-classical School of Thought of 19th and 1st half of 20th century	Modern School of Thought from 20th century till date.

Answer:

Classical School of Thought of 18th century	Neo-classical School of Thought of 19th and 1st half of 20th century	Modern School of Thought from 20th century till date.
Adam Smith, David Ricardo, J. S. Mill, T. R. Malthus, etc.	Alfred Marshall, A. C. Pigou, Irving Fisher, etc.	J. M. Keynes, Lionel Robbins, Paul Samuelson, etc.

[Find out. \[Textbook Page No. 4\]](#)

Which of the following is 'free good' or 'economic good'?

- Water in river
- Oxygen in cylinder
- Sunshine
- Water processed for drinking
- Air

Answer:

Free Good	Economic Good
Water in river Sunshine Air	Oxygen in cylinder Water processed for drinking

[Do you know? \[Textbook Page No. 5\]](#)

What do you mean by Physical transferability and Notional transferability?

Answer:

Physical transferability: When goods can be actually transferred from one person to another and from one place to another place it has physical transferability. E.g. Motor Car, Furniture, Machinery, etc. Notional transferability: When goods cannot be actually transferred physically it has notional transferability. E.g. Land, Building, etc.

[Try this: \[Textbook Page No. 5\]](#)

Prepare a list of commodities that satisfy the condition of physical transferability and notional transferability.

Answer:

Commodities having Physical Transferability	Commodities having Notional Transferability
Motor Car Furniture Machinery Consumer goods	Land Building Premises

[Do you know? \[Textbook Page No. 5\]](#)

Why are inborn qualities not considered wealth?

Answer:

Inborn qualities like beauty, melodious voice, etc. are not considered as wealth because they do not possess all the features of wealth like – externality and transferability.

[You Should Know? \[Textbook Page No. 5\]](#)

Explain various types of income?

Answer:

- Fixed income: Income that remains stable over a period of time is called fixed income. It is always positive. E.g. rent, wages, etc.
- Fluctuating income: Income that is not fixed but keeps on changing is called Fluctuating income. E.g. profit. It can be positive, negative, or zero.
- Money income: Income received in the actual currency of the country is called Money income. It is the income in cash, E.g. ₹ 70,000.
- Real income: The purchasing power of money income is called Real income. E.g. Commodities purchased out of money income.
- Contractual income: Income paid as per the terms and conditions of the contract is called Contractual income. E.g. rent, wages, etc.
- Residual income: Income that is left over after making payments to all factors of production is called residual income, E.g. profit.
- Earned income: Income obtained after participating in the productive activity is called Earned income. E.g. rent, wages, interest, profit.
- Unearned income: Income received from all sources without indulging in any productive activity is called Unearned income. E.g. windfall gains, lottery prizes.

[Always remember \[Textbook Page No. 6\]](#)

What activities are considered 'unproductive'?

Answer:

Activities that are carried out just for sake of charity or hobby or where no monetary exchange takes place are considered as 'unproductive' activities.

[Do you know? \[Textbook Page No. 7\]](#)

What is 'Cyclical Unemployment'?

Answer:

Unemployment created due to the impact of cyclical fluctuations is called 'Cyclical Unemployment. It occurs due to inflation and depression in the economy.

[Find out: \[Textbook Page No. 7\]](#)

Which of the following terms is a part of microeconomics or macroeconomics?

- Global poverty
- Price of a commodity
- Balance of payments
- Profits of a firm
- National income

Answer:

Micro Economics	Macro Economics
Price of a commodity Profits of a firm	Global Poverty Balance of payments National Income