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NCERT **MCQs**

Indian Economy

Class 9-12 (Old+New)

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Economy : An Introduction

New NCERT Class IX (The Story of Village Palampur), New NCERT Class IX (People as a Resource), Old NCERT Class IX & X (An Overview of the Indian Economy), New NCERT Class X (Sectors of the Indian Economy), New NCERT Class X (Development), New NCERT Class XI (Indian Economy 1950–1990), New NCERT Class XI (Indian Economy on the Eve of Independence), New NCERT Class XI (Human Capital Formation in India), New NCERT Class XI (Environment and Sustainable Development), New NCERT Class XII (Introduction)

1. Who is regarded as ‘Father of Modern Economics’?

(Chap 1, Class-XII, New NCERT)
(MPPSC Pre 2010)

- (a) Adam Smith (b) Marshal
(c) Keynes (d) Robins

➤ Ans. (a)

Exp. Adam Smith is regarded as ‘Father of Modern Economics’. His work published in 1766 ‘An Enquiry into the Nature and Causes of the Wealth of Nations’ is regarded as the first major comprehensive book on the subject. It is a fundamental work in classical economics, which deals with topics of division of labour, productivity and free markets.

2. With regard to the difference between micro and macro economics, which of the following statement(s) is/are correct?

(Chap 1, Class-XII, New NCERT)

- In macroeconomics, aggregate output of goods and services at the level of nation is measured whereas in microeconomics, individual factors of production are studied.
- Macroeconomic policies are pursued by the state itself or statutory bodies like the Reserve Bank of India (RBI) whereas policies concerning microeconomics are pursued by individual agents only.

Codes

- (a) Only 1 (b) Only 2
(c) Both 1 and 2 (d) Neither 1 nor 2

➤ Ans. (a)

Exp. Statement (1) is correct with regard to the difference between micro and macro economics as in macroeconomics, the aggregate output of goods and services, employment level, price level, etc are measured at the level of nation whereas microeconomics focuses on issues that affect individuals and companies. However, both are interrelated and interdependent as macroeconomics takes into account various interlinkages, which may exist between different sectors of the economy. Statement (2) is incorrect as other than economic decision taken by individual agents (such as household or automobile company), the action of entire sector such as automobile industry are also studied in microeconomics. It is also governed by state and the regulatory bodies like RBI.

3. Which of the given pairs of personality and associated field is not correctly matched?

(Chap 1, Class-XII, New NCERT)

- (a) Adam Smith – Modern Economics
(b) John Maynard Keynes – Macroeconomics
(c) Physiocrats of France – Social Economics
(d) All of the above

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➤ *Ans. (c)*

Exp. Among the given pairs, pair (c) is not correctly matched. Physiocrats of France were prominent thinkers of Political Economics (not Social Economics) before Adam Smith. They studied action of the state and its impact on different economic variables.

4. Mixed economy means an economy where

(Chap 2, Class-XII-New NCERT)

- (a) both agriculture and industry are equally promoted by the state.
- (b) there is co-existence of public sector along with private sector.
- (c) there is importance of small scale industries along with heavy industries.
- (d) economy is controlled by military as well as civilian rulers.

➤ *Ans. (b)*

Exp. Mixed economy means an economy where there is co-existence of public sector along with private sector. A mixed economy is an economic system that combines elements of a capitalist, market based system, with a socialist, command economy system. It mixes elements such as private property rights, free trade, and privatisation, with socialist element such as regulation, the welfare state and re-distribution.

5. With reference to the types of economies, which of the following statements is incorrect?

(Chap 1, Class-XII, New NCERT)

- (a) In a centrally planned economy, the government or the central authority plans all the important activities in the economy.
- (b) In a market economy, the central problems regarding how much and what to produce are solved through the coordination of economic activities brought about by the price signal.
- (c) In a mixed economy, society has no private property since everything is owned by the state.
- (d) In capitalist economy, purchasing power determines production and distribution of goods.

➤ *Ans. (c)*

Exp. Statement (c) is incorrect with reference to the types of economies.

In a mixed economy, all the important decisions regarding production, distribution and consumption of goods and services are taken jointly by the government and the private sector.

The right of private property is protected under mixed economy and the complete state ownership of all the resources is a characteristic of the communist economy.

6. Consider the following characteristics of an economy.

(Chap 1, Class-XII, New NCERT)

- 1. There is private ownership of means of production.
- 2. Production takes place for selling the output in the market.
- 3. There is sale and purchase of labour services at a price, which is called the wage rate.

Which of the following types of economies is represented by the above characteristics?

- (a) Capitalist Economy
- (b) Socialist Economy
- (c) Mixed Economy
- (d) All of these

➤ *Ans. (a)*

Exp. The given characteristics represents the capitalist economy. Capitalist economy is a type of economy that is represented by given characteristics.

In a capitalist economy, there is private ownership of means of production and the means of production are driven by the motive of profit-making. Production takes place for selling the output in the market.

In such economy, there is sale and purchase of labour services at a price which is called the wage rate (the labour that is sold and purchased against wages is referred to as 'wage labour'). Other characteristics of capitalist economy is minimal or no intervention of state, free market and Laissez Faire.

7. The working of the price mechanism in a free-market economy refers to which one of the following?

(Chap 2, Class-XII, New NCERT)

- (a) The interplay of the forces of demand and supply.
- (b) Determination of the inflation rate in the economy.
- (c) Determination of the economy's propensity to consume.
- (d) Determination of the economy's full employment output.

➤ *Ans. (a)*

Exp. The working of the price mechanism in a free-market economy refers to the interplay of the forces of demand and supply. In the market economy (or capitalist economy) only those consumer goods are produced that are in demand. Purchasing power is the main determinant of production, consumption and distribution of goods in a free-market economy.

8. A closed economy is an economy, in which

(Chap 1, Class XII, New NCERT) (IAS Pre 2010)

- (a) the money supply is fully controlled.
- (b) deficit financing takes place.
- (c) only export takes place.
- (d) neither export nor import takes place.

➤ *Ans. (d)*

Exp. Closed economy is an economy in which neither export nor import takes place as no activity is conducted with other economies. It is self-sufficient, where no imports are brought in and no exports are sent out. The goal is to provide consumers with everything that they need from within the economy.

9. Manufacturing does not include, which of the following?

(Chap 2, Class IX & X, Old NCERT) (CGPSC Pre 2017)

- (a) Large industries (b) Medium industries
(c) Small industries (d) Real estate industries

➤ *Ans. (d)*

Exp. Manufacturing (or industrial sector) does not include Real estate industries. It includes those activities in which natural products are changed into finished goods, through means of manufacturing.

The small, medium and large scale industries, which are involved in producing manufactured goods such as steel, textiles, automobiles etc are included in secondary sector. Real estate industries are generally included as a part of tertiary (or service) sector.

10. Which of the following is the correct increasing order of the contribution of the three sectors to the GDP of India?

(Chap 2, Class-X, New NCERT)

- (a) Agriculture < Service < Industry
(b) Agriculture < Industry < Service
(c) Service < Industry < Agriculture
(d) Industry < Agriculture < Service

➤ *Ans. (b)*

Exp. The correct increasing order of the contribution of the three sectors to the GDP of India is Agriculture < Industry < Service.

Gross Domestic Product (GDP) is the value of all final goods and services produced within a country during a particular year. According to RBI's, 2021 estimates the contribution of agriculture, industry and service sector in Indian GDP is 20.19%, 25.92% and 53.89% respectively.

11. Public and private sectors are differentiated on the basis of which of the following?

(Chap 2, Class-X, New NCERT)

- (a) Conditions of employment
(b) Nature of economic activity
(c) Ownership of the enterprises
(d) None of the above

➤ *Ans. (c)*

Exp. Public and private sectors are differentiated on the basis of 'ownership of the enterprises'. In private sector, ownership of assets and delivery of services is in the hands of private individuals or companies.

They are guided by the motive to earn profits. In case of public sector, public service and establishment of essential infrastructure are the guiding principles. In public sector, government owns the assets and is responsible for delivery of services.

12. Consider the following statements.

(Chap 2, Class-X, New NCERT)

1. Primary sector is called so because it forms the base for all other products that we subsequently make.
2. Since, most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called agriculture and related sectors.

Which of the statement(s) given above is/are correct?

- (a) Only 1 (b) Only 2
(c) Both 1 and 2 (d) Neither 1 nor 2

➤ *Ans. (c)*

Exp. Both the statements (1) and (2) are correct.

When we produce a good by exploiting natural resources, it is an activity of primary sector. It forms the base for all other products. Since, most of the natural products we get are from agriculture, dairy, fishing and forestry, this sector is called agriculture and related sector. For example, cotton, milk production, minerals and ores.

13. Consider the following statements.

(Chap 2, Class-X, New NCERT)

1. Tertiary activities, by themselves, do not produce a good but they are an aid or a support for the production process.
2. Transport, banking, storage, communication and trade are some examples of tertiary activities.

Which of the statement(s) given above is/are correct?

- (a) Only 1 (b) Only 2
(c) Both 1 and 2 (d) Neither 1 nor 2

➤ *Ans. (c)*

Exp. Both the statements (1) and (2) are correct.

Tertiary sector helps in the development of primary and secondary sectors. These activities, by themselves do not produce a good but they are an aid and support for the production process. Since, these activities generate services rather than goods, the tertiary sector is also called the service sector.

For example, goods that are produced in the primary or secondary sector would need to be transported by trucks or trains and then sold in wholesale and retail shops.

Transport, banking, storage, communication and trade are some examples of tertiary activities.