Unit 2

I. Choose the correct answer (Each question carries one mark)

1. Which is not the goal of five-year plans
   a) Growth
   b) Modernization
   c) Self-efficiency
   d) Self-reliance
2. First phase of Green Revolution achieved approximately
   a) Mid 1960 – Mid 1970
   b) 1950 – 1960
   c) Mid 1970 – Mid 1980
   d) 1970 – 1980

II. Fill in the blanks (Each question carries one mark)

1. Chairperson of planning commission **Prime Minister**
2. Small Scale Industries use more of **labour** than large scale industries.
3. Regional equality was the main purpose of **Five-year plans**

III. Match the Following (Each question carries one mark)

1. Define planning.

A plan is a detailed set of tasks that need to be performed to achieve a goal or objective.

2. What do you mean by Land Reforms?

Equity in agriculture called for land reforms which primarily refer to change in the ownership of landholdings.

3. What is Marketed Surplus?

The portion of agricultural produce which is sold in the market by the farmers is called marketed surplus

4. Give the meaning of Land Ceiling

Land ceiling was another policy to promote equity in the agricultural sector. This means fixing the maximum size of land which could be owned by an individual

5. Mention any one Public Sector Industry.

Banks – State Bank of India

6. Give the meaning of Gross Domestic Product.

GDP is the market value of all the goods and services produced in the country during a year

V. Answer the following question in four sentences each. (Each question carries two marks)

1. What are the goals of five year plans?

A plan should have some clearly specified goals. The goals of the five year plans are: growth, modernisation, self-reliance and equity. This does not mean that all the plans have given equal importance to all these goals. Due to limited resources, a choice has to be made in each plan about which of the goals is to be given primary importance.

2. What is the meaning of Modernization?

To increase the production of goods and services the producers have to adopt new technology. For example, a farmer can increase the output on the farm by using new seed varieties instead of using the old ones. Similarly, a factory can increase output by using a new type of machine. Adoption of new technology is called modernisation

3. Why do the farmers need subsidies and what are its purposes?

Most farmers are very poor, and they will not be able to afford the required inputs without subsidies. Eliminating subsidies will increase the inequality between rich and poor farmers and violate the goal of equity. These experts argue that if subsidies are largely benefiting the fertiliser industry and big farmers, the correct policy is not to abolish subsidies but to take steps to ensure that only the poor farmers enjoy the benefits.

4. Write the meaning of Land ceiling and mention its purpose.

Land ceiling was another policy to promote equity in the agricultural sector. This means fixing the maximum size of land which could be owned by an individual. The purpose of land ceiling was to reduce the concentration of land ownership in a few hands.

5. Write the two advantages of Small Scale Industries.
   i. It was believed that small-scale industries are more 'labour intensive' i.e., they use more labour than the large-scale industries and, therefore, generate more employment.
   ii. Karve Committee noted the possibility of using small-scale industries for promoting rural development.

6. What do you mean by Green Revolution? How was it possible?

The stagnation in agriculture during the colonial rule was permanently broken by the green revolution: 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. The use of these seeds required the use of fertiliser and pesticide in the correct quantities as well as regular supply of water; the need for these inputs in correct proportions is vital.

7. Why the State had to play an extensive role in promoting industrial sector.

At the time of independence, Indian industrialists did not have the capital to undertake investment in industrial ventures required for the development of our economy; nor was the market big enough to encourage industrialists to undertake major projects even if they had the capital to do so. It is principally for these reasons that the state had to play an extensive role in promoting the industrial sector.

8. Give the meaning of tariffs and quotas.

Protection from imports took two forms: tariffs and quotas. Tariffs are a tax on imported goods; they make imported goods more expensive and discourage their use. Quotas specify the quantity of goods which can be imported. The effect of tariffs and quotas is that they restrict imports and, therefore, protect the domestic firms from foreign competition.

VI. Answer the following question in twelve sentences each. (Each question carries four marks)

1. Growth with Equity is one of the objectives of planning. Justify.
   i. Growth: It refers to increase in the country's capacity to produce the output of goods and services within the country. It implies either a larger stock of productive capital, or a larger size of supporting services like transport and banking, or an increase in the efficiency of productive capital and services. The GDP is the market value of all the goods and services produced in the country during a year. It is necessary to produce more goods and services if the people of India are to enjoy (in the words of the First Five Year Plan) a more rich and varied life.
   ii. Equity: Now growth, modernisation and self-reliance, by themselves, may not improve the kind of life which people are living. A country can have high growth, the most modern technology developed in the country itself, and have most of its people living in poverty. It is important to ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich.

2. Write a short note on land reforms in India.

At the time of independence, the land tenure system was characterised by intermediaries (variously called zamindars, jagirdars etc.) who merely collected rent from the actual tillers of the soil without contributing towards improvements on the farm.

The low productivity of the agricultural sector forced India to import food from the United States of America (U.S.A.). Equity in agriculture called for land reforms which primarily refer to change in the ownership of landholdings.

Just a year after independence, steps were taken to abolish intermediaries and to make the tillers the owners of land. The idea behind this move was that ownership of land would give incentives to the tillers to invest in making improvements provided sufficient capital was made available to them.

3. Give the meaning and the importance of Small –Scale Industries.

In 1950 a small-scale industrial unit was one which invested a maximum of rupees five lakh; at present the maximum investment allowed is rupees one crore. It was believed that small-scale industries are more 'labour intensive' i.e., they use more labour than the large-scale industries and, therefore, generate more employment.

But these industries cannot compete with the big industrial firms; it is obvious that development of small-scale industry requires them to be shielded from the large firms.

For this purpose, the production of several products was reserved for the small-scale industry; the criterion of reservation being the ability of these units to manufacture the goods. They were also given concessions such as lower excise duty and bank loans at lower interest rates.

VII. Answer the following question in twenty sentences each. (Each question carries six marks)

1. Write a short note on Green Revolution.

At independence, about 75 per cent 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 required infrastructure for most farmers. India's agriculture vitally depends on the monsoon and if the monsoon fell short the farmers were in trouble unless they had access to irrigation facilities which very few had.

The stagnation in agriculture during the colonial rule was permanently broken by the green revolution: 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. The use of these seeds required the use of fertiliser and pesticide in the correct quantities as well as regular supply of water; the need for these inputs in correct proportions is vital.

In the first phase of the green revolution (approximately mid 1960s up to mid-1970s), the use of HYV seeds was restricted to the more affluent states such as Punjab, Andhra Pradesh and Tamil Nadu. Further, the use of HYV seeds primarily benefited the wheat growing regions only. In the second phase of the green revolution (mid-1970s to mid-1980s), the HYV technology spread to a larger number of states and benefited more variety of crops.

2. Write the economic justification of the policy of Subsidies.

The economic justification of subsidies in agriculture is, at present, a hotly debated question. It is generally agreed that it was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers in general and small farmers.

Any new technology will be looked upon as being risky by farmers. Subsidies were, therefore, needed to encourage farmers to test the new technology. Some economists believe that once the technology is found profitable and is widely adopted, subsidies should be phased out since their purpose has been served.

Further, subsidies are meant to benefit the farmers, but a substantial amount of fertiliser subsidy also benefits the fertiliser industry; and among farmers, the subsidy largely benefits the farmers in the more prosperous regions. Therefore, it is argued that there is no case for continuing with fertiliser subsidies; it does not benefit the target group and it is a huge burden on the government's finances

3. Briefly explain the goals of Five Year Plans.

The goals of the five-year plans are: growth, modernisation, self-reliance and equity. This does not mean that all the plans have given equal importance to all these goals. Let us now learn about the goals of planning in some detail.

a) Growth: It refers to increase in the country's capacity to produce the output of goods and services within the country. It implies either a larger stock of productive capital, or a larger size of supporting services like transport and banking, or an increase in the efficiency of productive capital and services.

   The GDP is the market value of all the goods and services produced in the country during a year. You can think of the GDP as a cake: growth is increase in the size of the cake. If the cake is larger, more people can enjoy it. It is necessary to produce more goods and services if the people of India are to enjoy (in the words of the First Five Year Plan) a more rich and varied life.

b) Modernisation: To increase the production of goods and services the producers must adopt new technology. For example, a farmer can increase the output on the farm by using new seed varieties instead of using the old ones.
c) Self-reliance: A nation can promote economic growth and modernisation by using its own resources or by using resources imported from other nations. The first seven five-year plans gave importance to self-reliance which means avoiding imports of those goods.
d) Equity: Now growth, modernisation and self-reliance, by themselves, may not improve the kind of life which people are living. A country can have high growth, the most modern technology developed in the country itself, and have most of its people living in poverty. It is important to ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich.

4. Briefly explain the Trade Policy of the Government during 1950 – 1990.

The industrial policy that we adopted was closely related to the trade policy. In the first seven plans, trade was characterised by what is commonly called an inward-looking trade strategy. Technically, this strategy is called import substitution. This policy aimed at replacing or substituting imports with domestic production.

For example, instead of importing vehicles made in a foreign country, industries would be encouraged to produce them in India itself. In this policy the government protected the domestic industries from foreign competition. Protection from imports took two forms: tariffs and quotas.

Tariffs are a tax on imported goods; they make imported goods more expensive and discourage their use. Quotas specify the quantity of goods which can be imported. The effect of tariffs and quotas is that they restrict imports and, therefore, protect the domestic firms from foreign competition.

The policy of protection is based on the notion that industries of developing countries are not able to compete against the goods produced by more developed economies. It is assumed that if the domestic industries are protected they will learn to compete during time.

Our planners also feared the possibility of foreign exchange being spent on import of luxury goods if no restrictions were placed on imports. Nor was any serious thought given to promote exports until the mid-1980s.

5. Explain the effects of economic policies on industrial development.

The achievements of India's industrial sector during the first seven plans are impressive indeed. The proportion of GDP contributed by the industrial sector increased in the period from 11.8 per cent in 1950-51 to 24.6 per cent in 1990-91.

The rise in the industry's share of GDP is an important indicator of development. The six per cent annual growth rate of the industrial sector during the period is commendable.

No longer was Indian industry restricted largely to cotton textiles and jute; in fact, the industrial sector became well diversified by 1990, largely due to the public sector.

The promotion of small-scale industries gave opportunities to those people who did not have the capital to start large firms to get into business. Protection from foreign competition enabled the development of indigenous industries in the areas of electronics and automobile sectors which otherwise could not have developed.