

SAMPLE CONTENT



SMART NOTES

Std. XI
Economics



Target Publications® Pvt. Ltd.

SMART NOTES

ECONOMICS

F.Y.J.C.

MAHARASHTRA STATE BOARD

(As per the revised syllabus w.e.f. Academic Year 2014-15)

Salient Features:

- ☞ Based on the new textbook
- ☞ Exhaustive content coverage in Question & Answer format
- ☞ Answers presented in an examination ready format
- ☞ 'Smart Codes' and 'Smart Recaps' to memorise answers
- ☞ 'For your understanding' section aids conceptual clarity
- ☞ Includes GG - our very own mascot that offers a practical touch to theory
- ☞ Includes QR codes for reference content
- ☞ Replete with practical and real life examples
- ☞ Highlighted key words and sentences that aid recall as well as revision
- ☞ Chapter wise Index to help you understand the coverage of entire chapter

Printed at: **Repro India Ltd., Mumbai**

© T. S. Arora Publications Pvt. Ltd.

No part of this book may be reproduced or transmitted in any form or by any means, C.D. ROM/Audio Video Cassettes or electronic, mechanical including photocopying; recording or by any information storage and retrieval system without permission in writing from the Publisher.

PREFACE

Economics 'Smart Notes' is a book curated to facilitate learning & instil conceptual understanding within students. This treasure trove of knowledge fosters robust conceptual clarity and inspires confidence within the nimble mind of young learners. This book not only provides answers to all textual questions but also addresses exam questions in each lesson with the aim of covering the entire topic and making students ready to face the competition. Throughout this book, questions are answered in a detailed, point-wise format which makes it easier for students to memorize and reproduce the answers in their examination.

We have incorporated 'Smart Codes' to facilitate easy answer recall. In case of complex questions, we have provided 'Smart Recap' for quick recap of that question. 'For your understanding' section offers additional information on a topic. This is required for conceptual clarity but need not be written in an examination. 'Gyan Guru', our very own mascot, offers a practical touch to theory by sharing interesting & real facts. 'QR codes' present throughout the book offer students practical knowledge through reference content. We're sure that students, parents and teachers alike would love our value proposition and unique presentation of content that we have created for students in this book.

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.

Please write to us at info@targetpublications.org

Disclaimer

This reference book is transformative work based on textual contents published by the Maharashtra State Board of Secondary and Higher Secondary Education. We the publishers are making this reference book which constitutes as fair use of textual contents which are transformed by adding and elaborating, with a view to simplify the same to enable the students to understand, memorize and reproduce the same in examinations.

This work is purely inspired upon the course work as prescribed by the Maharashtra State Board of Secondary and Higher Secondary Education, Pune. Every care has been taken in the publication of this reference book by the Authors while creating the contents. The Authors and the Publishers shall not be responsible for any loss or damages caused to any person on account of errors or omissions which might have crept in or disagreement of any third party on the point of view expressed in the reference book.

© reserved with the Publisher for all the contents created by our Authors.

No copyright is claimed in the textual contents which are presented as part of fair dealing with a view to provide best supplementary study material for the benefit of students.

Why to study Economics?

Apart from the basic objective of doing well in your exams, there are various reasons for studying Economics:

1. Economics is something that you experience on a daily basis. Studying this subject will solve a lot of your unsolved questions. Also, it will make you more aware about the world you live in.
2. It helps you understand human economic behaviour in a better manner. Why a person reacts in a certain manner in a particular economic situation is clearly explained in various economic laws.
3. It explains simple things like why you save, why is a product priced at ₹ X, why is rent higher at certain places compared to another, why is the price of two substitute products similar, why do interest rates keep changing, why do we need banks, what causes recession, what causes inflation etc.
4. We always criticize the government for its various policies but the government also has certain objectives and certain limitations. Economics helps you understand and analyze from the other side.

Economics is going to be with you all through your academic life. Hereafter, any course related to commerce that you select will include Economics as a subject.

How to study from this book.

This book is divided into the following parts:

- i) Theory questions
- ii) Interpretative based questions.

Theory questions

Questions covered in theory section are in the flow of textbook. Thus, once you read all the questions, it's as good as reading an entire chapter from the textbook. We advise you to study from this section first.

Interpretative based questions

This section is at the end of the theory section. Questions covered in this section are either objectives or application-based questions. Once you have read and understood the theory, you are better equipped to solve and answer these questions. We have also provided answers for you to enable self-evaluation.

The book is rife with bits of value addition. Take a look further to understanding it.

Smart Code

At times, answers are too lengthy and it's difficult to remember all the points. Hence, we have created smart codes for a few questions to aid you in remembering and recollecting these points. Please do not memorize each and every smart code. Instead of helping, it might end up confusing you. Memorize only those smart codes wherein you find the answer difficult to comprehend.



SMART CODE PURSE G I V O

1) POPULATION EXPLOSION

Population explosion is a situation where the growth of population is faster than the growth and development of the economy. It results in unequal distribution of resources among people. Ultimately, unequal distribution among the rapidly growing population results in deprivation of basic facilities and caused widespread poverty.

SMART RECAP



Stage	Birth rate	Death rate	Population growth rate
First	Very high	Very high	Low
Second	Remains high	Declines rapidly	High

Smart Recap

In theory subjects at times, answers are quite long and complex. It's difficult to remember the entire answer. Hence, we have provided smart recap i.e. summary of the entire answer for students to review it immediately.

For Your Understanding

Certain concepts are tricky and difficult to understand with a limited amount of explanation. To explain these concepts efficiently, we have provided a section named 'For your understanding' that provides better conceptual clarity. Please note that the content provided in this section need not be written in the examination. This is purely for conceptual understanding.

FOR YOUR UNDERSTANDING

Suppose, Bholaram, a farmer, has one land of 1000 sq.m. He has three sons A,B, and C who work on the farm with him. All four of them jointly produce 500 quintals of rice. Now, Bholaram's fourth son D also joins them on the farm. In spite of him joining them, the production remains 500 quintals only. In this case, we can say that D is disguisedly unemployed.

GG - Gyan Guru

GG - Gyan Guru



On 8th November 2016, at 8.15 am IST, our Prime Minister announced the demonetization of all ₹500 and ₹1000 banknotes of the Mahatma Gandhi Series. He also announced the issuance of new ₹500 and ₹2000 banknotes in exchange for the demonetized banknotes.

Gyan Guru, our very own mascot, keeps popping up throughout the book. He offers you a practical and real-life example or an interesting fact, associated with the topic. Look out for him!

QR Codes

Economics has numerous real-life applications. Various forms, notices, documents mentioned in the syllabus are used presently in business organizations. We have given such data via QR codes for better understanding of the subject.

[Note: Scan the adjacent QR code to view Bill Gates' session at NITI Lectures.]



Variety of questions covered

The new syllabus has thrown a lot of new types of questions. In this book, you will be studying below types of questions:

Sr. No.	Nature of Question	Ch. 1	Ch. 2	Ch. 3	Ch. 4	Ch. 5	Ch. 6	Ch. 7	Ch. 8	Ch. 9	Ch. 10
		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Theory section											
1.	Answer the following in detail.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2.	Distinguish between.	✓	NA	NA	✓	NA	NA	✓	✓	NA	✓
3.	Solve the following.	NA	NA	✓	NA	NA	NA	NA	NA	NA	NA
4.	Activities from textbook	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Objective section											
A.	Choose the correct option.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
B.	Assertion and reasoning - Choose the correct answer from the following.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
C.	Complete the following statements by choosing the correct alternative.	✓	✓	—	✓	✓	✓	✓	✓	✓	✓
D.	Choose the correct pair! Choose the wrong pair.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
E.	Complete the correlation.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
F.	Find the odd word out.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
G.	Suggest an economic term for the given statements.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Identify and explain the concepts from the given illustrations.	✓	✓	—	✓	✓	✓	✓	✓	✓	✓
	State with reasons whether you agree or disagree with the following statements.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Read the following passage and answer the questions given below/ Answer the following questions on the basis of following information.	—	✓	—	✓	—	—	—	—	✓	✓
	Observe the chart and answer the following questions.	—	✓	—	—	—	—	—	—	—	—
	Answer the following questions on the basis of following data.	—	—	✓	—	—	—	—	—	—	—
	Solve the following.	—	—	—	—	—	—	—	—	—	—

Note : All the above variety of questions are a part of textbook.

INDEX

Sr. NO.	Titles	Page No. (Theory)	Page No. (Objectives)
1.	<i>Basic Concepts in Economics</i>	1	161
2.	<i>Money</i>	15	166
3.	<i>Partition Values</i>	20	172
4.	<i>The Economy of Maharashtra</i>	55	176
5.	<i>Rural Development in India</i>	77	181
6.	<i>Population in India</i>		187
7.	<i>Unemployment in India</i>	99	194
8.	<i>Poverty in India</i>	113	201
9.	<i>Economic Policy of India Since 1991</i>	132	206
10.	<i>Economic Planning in India</i>	145	213

Note: i. All Textual questions are represented by (T) mark.

ii. At the start of each chapter, we have provided a chapter index to enable the students to get an overview of the chapter as well as to mark the number of times they have read or studied every question by way of columns named Read 1, Read 2 and Read 3 against each question.

SR. NO.	PARTICULARS	READ 1	READ 2	READ 3
1.	The laws of social sciences are not universal but they are only statements of general human tendencies. Explain.			
2.	Economics is a social science. Explain.			
3.	Write about Kautilya's views on Economics.			
4.	What are the key points of Adam Smith's definition?			
5.	How are Alfred Marshall's and Lionel Robbins' definitions of Economics different from each other?			
6.	Explain in brief the basic concepts of Micro Economics.			
7.	Explain the characteristics of human wants. (T)			
8.	What is a want? How are wants classified?			
9.	What is the difference between 'value-in-use' and 'value-in-exchange'?			
10.	Explain the features of wealth. (T)			
11.	What are the various types of income?			
12.	Explain in detail the types of economic activities.			
13.	Explain the basic concepts of Macro Economics. (T)			
14.	Difference between Economic Growth and Economic Development			
15.	Activities from Textbook			

INTRODUCTION

The subject of 'Economics' deals with the economic aspect of human behaviour. Therefore, all financial/monetary decisions that we take are influenced by Economics. "Main itna paisa dunga toh saamne mujhe kitne ke value ka product ya service milega" is a thought that passes our mind every time we pay for something. Don't we always try to find an equilibrium between the amount we pay and the value we get? This beautiful subject of Economics is going to help you answer a lot of such questions. As a student of commerce, this subject is going to be with you all your life.



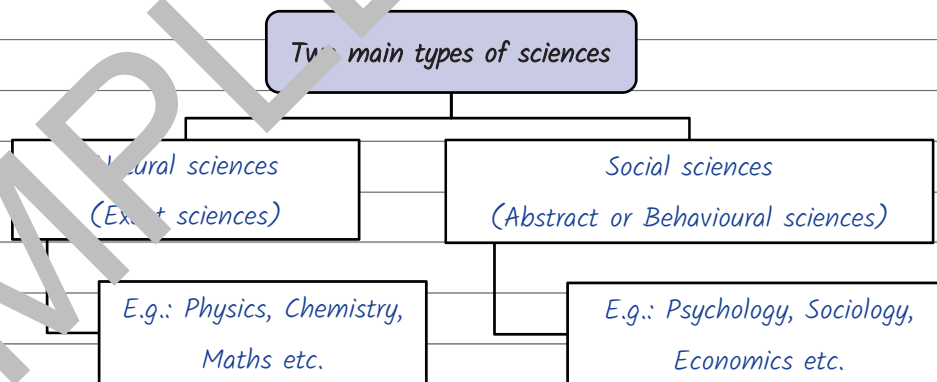
Q.1.

Answer the following in detail

1. The laws of social sciences are not universal but they are only statements of general human tendencies. Explain.

- Ans: 1) Science is the systematic body of knowledge. There are two main types of sciences:
- Natural sciences
 - Social sciences
- Natural science is the one whose laws are universally acceptable.
 - The validity of the laws of natural sciences can be tested in a laboratory under controlled conditions.
 - Therefore, **natural sciences are also called as exact sciences** because of their empirical approach to the study.
E.g.: Physics, Chemistry, Maths.
 - Social science is related to study of some or the other aspects of human behaviour.
 - Therefore, **social science is also called as abstract or behavioural science**.
E.g.: Psychology is related to 'mental' aspect of human behaviour. Sociology is related to 'social' aspect of man as member of the society.
 - Unlike the laws of natural sciences, human behaviour can neither be studied in the laboratory nor can it be empirically tested.
 - Hence, the laws of social sciences are not universal but they are only statements of general human tendencies.

Note: Empirical approach is an evidence-based approach that relies on real world data to study and interpret information.



2. Economics is a social science. Explain.

- Ans: 1) Science is a systematic body of knowledge.
- There are two main types of sciences:
 - Natural sciences
 - Social sciences
 - Natural science is the one whose laws are universally acceptable.



- 4) Social science is related to study of some or the other aspect of human behaviour.
- 5) Economics deals with the 'economic' aspect of human behaviour. It explains how human beings satisfy unlimited wants with limited means.
- 6) Therefore, Economics is a social science.
- 7) In fact, it is referred to as 'Queen of Social Sciences' by Paul Samuelson.

Note: Paul Anthony Samuelson was an American economist and the first American to win the Nobel Memorial Prize in Economic Sciences.

- 8) The origin of the term 'Economics' lies in the Greek word 'oikonomia' which means management of the household.

3. Write about Kautilya's views on Economics.

- Ans:**
- 1) Kautilya authored the ancient Indian political treatise, the 'Arthashastra'.
 - 2) Artha means 'wealth' and Shastra means 'science'.
 - 3) Arthashastra implies the science of acquiring and managing wealth.
 - 4) Arthashastra is basically a treatise on Political Economy in its broadest sense.
 - 5) The key points based on Kautilya's views are as follows:
 - i. Crucial role of the state or government.
 - ii. Focus on creation of wealth as the means to ensure welfare of the state.
 - iii. Need for efficient administrative machinery for good governance.
 - iv. Compilation of political ideas into Arthashastra.

Do you know?

Kautilya was a great statesman, philosopher, economist and royal advisor during the Mौरya period. He is also known by the name Chanakya or Vishnugupta.

Note: Treatise is defined as a written work dealing formally and systematically with a subject.

4. What are the key points of Adam Smith's definition?

- Ans:**
- 1) Adam Smith, a classical economist, is regarded as the "Father of Economics".
 - 2) He has written various books on Economics, but he is most famous for his book "An Inquiry into the Nature and Causes of Wealth of Nations" published in the year 1776.
 - 3) He has given the **wealth-oriented definition** of Economics.
 - 4) He defines Economics as "a science of wealth".
 - 5) The key points of Adam Smith's definition are as follows:



SMART CODE

L A N D

- i. **L**aissez faire i.e. non-intervention of the government.
- ii. **A**ccumulation of capital and wealth.
- iii. **N**ature's law in economic affairs.
- iv. **D**ivision of labour as an aspect of growth theory.

5. How are Alfred Marshall's and Lionel Robbins' definitions of Economics different from each other?

- Ans: 1) Prof. Alfred Marshall was a neo-classical economist and authored the book "Principles of Economics" in the year 1890.
- 2) He gave the '**welfare-oriented**' definition of Economics in his book.
- 3) His definition states "Economics is a study of man in the ordinary business of life. It examines that part of individual and social action, which is closely connected with the attainment and use of material requisites of well-being."
- 4) The key points of Marshall's definition are:
- i. Study of an ordinary man.
 - ii. Study of material welfare.
 - iii. Economics is a behavioural science.
 - iv. Economics is not simply the study of wealth.

Note: Material welfare refers to the fact or state of having enough housing, clothing, food and possessions etc. to live comfortably.

- 5) Lionel Robbins was a modern economist and authored the book "An Essay on the Nature and Significance of Economic Science" in the year 1932.
- 6) He gave the '**scarcity-oriented**' definition of Economics in his book.
- 7) His definition states "Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses."
- 8) The key points of Robbins' definition are:
- i. Wants (ends) are unlimited.
 - ii. Means are comparatively limited.
 - iii. Wants are gradable on the basis of priority.
 - iv. Means have alternative uses.
- 9) Primarily, Marshall's definition is 'welfare-oriented' whereas Robbins' definition is 'scarcity-oriented'. Both the definitions are based on two diametrically different ideologies and hence, they are different from each other.



SMART RECAP



(Q.1 - 3, 4 and 5)

Name of Economist	Book Published	Year	Type of definition	Key points
Kautilya	Arthashastra	—	—	<ul style="list-style-type: none"> i. Crucial role of the state or government. ii. Focus on creation of wealth as the means to ensure welfare of the state. iii. Need for efficient administrative machinery for good governance. iv. Compilation of political ideas into Arthashastra.
Adam Smith (Father of Economics)	An Inquiry into the Nature and Causes of Wealth of Nations	1776	Wealth-oriented	<ul style="list-style-type: none"> i. Laissez faire i.e. non-intervention of the government. ii. Accumulation of capital and wealth. iii. Nature's law in economic affairs. iv. Division of labour as an aspect of growth theory.
Alfred Marshall	Principles of Economics	1890	Welfare-oriented	<ul style="list-style-type: none"> i. Study of an ordinary man. ii. Study of material welfare. iii. Economics is a behavioural science. iv. Economics is not simply the study of wealth.
Lionel Robbins	An Essay on the Nature and Significance of Economic Science	1932	Scarcity-oriented	<ul style="list-style-type: none"> i. Wants (ends) are unlimited. ii. Means are comparatively limited. iii. Wants are gradable on the basis of priority. iv. Means have alternative uses.



Do you know?

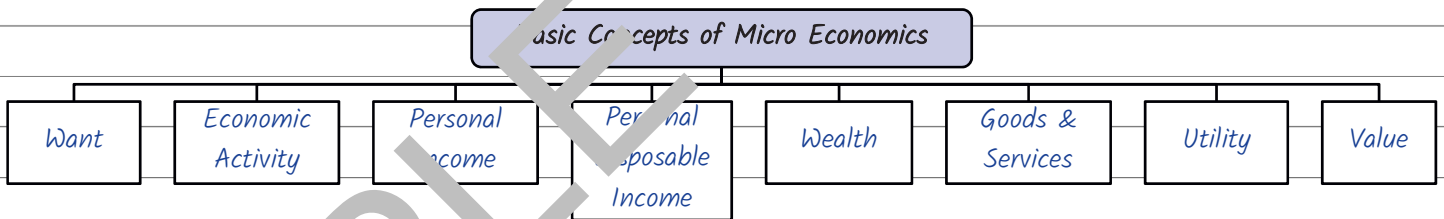
Thought	Names of the Economists
Classical School of Thought of 18 th century	Adam Smith, David Ricardo, J. S. Mill, T. R. Malthus etc.
Neo-classical School of Thought of 19 th and 1 st half of 20 th century	Alfred Marshall, A. C. Pigou, Irving Fisher etc.
Modern School of Thought from 20 th century till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

6. Explain in brief the basic concepts of Micro Economics.

Ans: In 1933, Sir Ragnar Frisch coined the terms 'Micro Economics' and 'Macro Economics.' These terms are derived from the Greek words 'Mikros' and 'Makros', respectively. Micro means small. Micro Economics deals with the behaviour of the individual variables such as a household, worker, firm, industry etc.

According to Kenneth E. Boulding, "Micro Economics is the study of particular firms, particular households, individual prices, wages, incomes, individual industries, particular commodities".

The basic concept of Micro Economics can be explained as follows:



SMART COPY

I WANT to perform ECONOMIC ACTIVITY to earn PERSONAL INCOME and PERSONAL DISPOSABLE INCOME to accumulate WEALTH so that I can buy GOODS & SERVICES of high UTILITY and VALUE.

1) WANT

In simple words, want can be referred to as a need. In Economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to satisfy his want.

2) ECONOMIC ACTIVITY

Economic activities can be classified into four types; namely, production, distribution, exchange and consumption.



3) PERSONAL INCOME

The earnings that a person receives from all sources is called his personal income.

4) PERSONAL DISPOSABLE INCOME

It is that part of personal income which is left over after payment of direct taxes such as income tax, wealth tax etc.

5) WEALTH

Wealth refers to anything which has market value and can be exchanged for money. To be regarded as wealth, a commodity must possess the characteristics of utility, scarcity, transferability and externality.

6) GOODS & SERVICES

Anything that satisfies human wants is termed as 'good'. Goods have material existence. Services also satisfy human wants, but do not have any material existence.

7) UTILITY

The capacity of a commodity to satisfy human wants is called as utility.

8) VALUE

Value has two approaches in Economics i.e. 'value-in-use' and 'value-in-exchange'. In simple words, value-in-use refers to usefulness of a commodity. On the other hand, value-in-exchange refers to the worth of a commodity or a service expressed in terms of another commodity.

7. Explain the characteristics of human wants. (T)

Ans: Want is one of the basic concepts of Micro Economics. In simple words, want refers to need. In Economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to pursue his want. Human wants have grown in number for two basic reasons:

- 1) Desire for better living due to inventions and innovations.
- 2) Increase in population.

The following are characteristics of wants:



SMART IDEAS U C R G A P S

1) WANTS ARE UNLIMITED

Wants not only arise again and again but they are also unending. If one want gets satisfied, another arises. Wants go on multiplying in number.

E.g.: You may want to go for shopping clothes every month (wants arise again and again). In fact, once want of clothes gets satisfied, you may want to purchase accessories, glares, footwear etc. that goes well with your outfit (wants go on multiplying in number).



2) WANTS DIFFER DUE TO CULTURE

The culture & upbringing of a person also influences his wants. The influence can be seen on the choice of dressing, food habits & overall spending habits.

E.g.: i. A person belonging to rich family might want to travel by personal vehicle whereas a person belonging to a middle-class family might want to travel by public transport.

ii. A Maharashtrian would want a meal consisting of chapati & bhaji whereas a South Indian would prefer a meal of rice & sambhar.

3) WANTS ARE RECURRING IN NATURE

Several human wants occur again and again, while some might be only occasional.

E.g.: We might want to go for a movie every fortnight but we might want to go on a vacation occasionally.

4) WANTS DIFFER WITH GENDER

Men and women want different goods according to their needs. Men and women both have certain peculiar goods which satisfy their needs.

E.g.: Men would want a shaving kit while women would want a hair clip.

5) WANTS DIFFER WITH AGE

Wants and their satisfaction differ with age of a person.

E.g.: We might want a new gel pen while in school. In college, we might want fancy branded clothes.

6) WANTS DIFFER DUE TO REFERENCES

Individual habits, tastes and references greatly influence the wants of people.

E.g.: One person would want to eat Chinese food while another person would want to eat Indian.

7) WANTS DIFFER WITH SEASONS

It is obvious that certain goods would be more in demand during certain seasons.

E.g.: We want air conditioner during summer season whereas light cotton clothing during summers.

3. What is a want? How are wants classified?

Ans: Want is one of the basic concepts of Micro Economics. In simple words, want refers to need. In Economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to satisfy his want. Wants can be classified in the following ways:

1) ECONOMIC AND NON-ECONOMIC WANTS

Economic wants are those where monetary transaction is involved. A person who has an economic want has to pay the price to satisfy his want.



E.g.: Food, medicines, travel, internet connection etc.

Non-economic wants are those where no monetary transaction is involved. A person who has a non-economic want can satisfy his want without making any monetary payment.

E.g.: air, sun shine, walking etc.

2) INDIVIDUAL WANTS AND COLLECTIVE WANTS

Individual wants or personal wants are those wants which are satisfied at the individual level.

E.g.: a chef would want a knife, a guitarist would want his guitar, a student would want his notebook etc.

Collective wants are social wants where there is collective satisfaction of wants.

E.g.: travelling by train, learning in a classroom, free WiFi at railway stations etc.

3) NECESSITIES, COMFORTS AND LUXURIES

Necessities are the very basic needs of life

E.g.: food, clothing, shelter, education and health.

Comforts are those wants which make our life comfortable.

E.g.: washing machine, mixer, mobile phone etc.

Luxuries are those wants which are meant for pleasure and enjoyment.

E.g.: foreign vacations, dinner at expensive restaurant, high-end phone etc.



9. What is the difference between 'value-in-use' and 'value-in-exchange'? Give two examples each of commodities having high value-in-use but low value-in-exchange and commodities having low value-in-use but high value-in-exchange.

Ans: Value is a basic concept of Micro Economics. Value has two approaches in Economics i.e. 'value-in-use' and 'value-in-exchange'.

VALUE-IN-USE

1) It refers to the worth of a commodity.

2) In simple words, it is the usefulness of a commodity.

3) E.g.: No one has to pay for sunshine but it very useful for us. Similarly, oxygen is available freely in nature but it is very useful for us.

4) In economic language, sunshine or oxygen are said to have high value-in-use.

5) They are examples of 'free goods'.



VALUE-IN-EXCHANGE

- 1) It refers to the worth of a commodity or a service expressed in terms of another commodity. E.g.: I will give you my TV in exchange for your old laptop. Here, the laptop is the value-in-exchange for the TV and vice versa.
- 2) When this value is expressed in terms of money, it is called as the price of a commodity.
- 3) Any good which commands a price is termed as 'economic goods'.
E.g.: TV, car, salt, bottled water etc.

Some commodities have high value-in-use but low value-in-exchange.

E.g.: water, oxygen in the atmosphere

Some commodities have low value-in-use but high value-in-exchange due to their scarcity.

E.g.: diamonds, expensive paintings

10. Explain the features of wealth. (T)

Ans: Wealth is a basic concept of Micro Economics. Wealth refers to "anything which has market value and can be exchanged for money". To be regarded as wealth, a commodity must possess the following characteristics:



SMART CODE

U	S	-	-
---	---	---	---

1) UTILITY

A commodity must have the capacity to satisfy human wants for it to be considered as wealth. E.g. furniture, refrigerator etc. can be considered as wealth. On the other hand, we exchange old newspapers for money but it has no utility for us. Therefore, it cannot be considered as wealth.

2) SCARCITY

A commodity must be scarce in supply in relation to its demand if it is to be considered as 'wealth'. E.g. all economic goods for which price is paid.

3) EXTERNALITY

A good can be transferred only if it is external to human body. E.g. bag, books, car etc. Health is not wealth in Economics as it is not external to human body, i.e. it does not possess the characteristic of 'externality'.

4) TRANSFERABILITY

A commodity should be transferable from person to person and place to place to be considered as 'wealth'. It is possible to transfer commodity from one



place to another only when it is in material form or is tangible. E.g.: vehicle, jewellery etc.

Here, transfer can also mean the transfer of ownership. Therefore, even self-owned house property, land etc. can be considered as wealth.

11. What are the various types of income?

Ans: Individual income is a basic concept of Micro Economics. The following are various types of income:

1) PERSONAL INCOME

The earnings that a person receives from all sources, called his personal income.

2) PERSONAL DISPOSABLE INCOME

It is that part of personal income which is left over after payment of direct taxes such as income tax, wealth tax etc.

3) FIXED INCOME

Income which remains stable over a period of time is called as fixed income. E.g.: rent, salary, wages etc.

4) FLUCTUATING INCOME

Income which is not fixed and keeps on changing or fluctuating is called as fluctuating income. This income can be positive, negative or zero.

E.g.: profit from business, earnings from stock market investments etc.

5) MONEY INCOME

It is the income which is received in actual currency of the country. In other words, this income is in cash. E.g.: ₹ 5000.

6) REAL INCOME

This is the purchasing power of money income. E.g.: commodities purchased out of money income.

7) CONTRACTUAL INCOME

This income is paid as per the terms and conditions of contract. E.g. rent, wages, professional fees etc.

8) RESIDUAL INCOME

Income which is left over after making payments to all factors of production is called residual income. E.g.: profit

9) EARNED INCOME

The income that is earned after participating in a productive activity is called as earned income. E.g.: rent, interest, wages, profit.

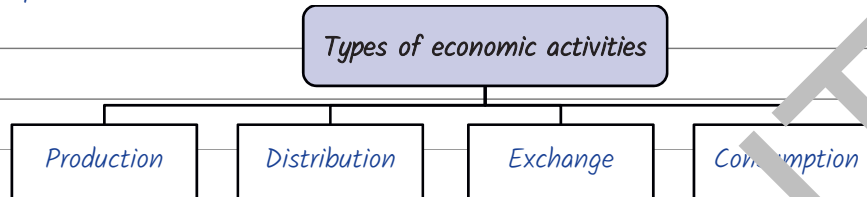


10) UNEARNED INCOME

Income received from all sources without indulging in any productive activity.
E.g.: windfall gains, inheritance from ancestors, lottery prizes etc.

12. Explain in detail the types of economic activities.

Ans: Economic activity is a basic concept of Micro Economics. Economic activities can be classified into four types which include production, distribution, exchange and consumption.



1) PRODUCTION

Production is creation of utility. There are four factors of production; namely, land, labour, capital & entrepreneur.

i. Land:

- a. Land is a **natural factor** of production.
- b. Any natural resource that is available on, above and below the surface of the earth is called 'land' in Economics.
- c. E.g.: soil, water on the surface of the earth; sunshine, air, wind etc. above the surface of the earth and minerals, gas, oil etc. below the surface of the earth.
- d. Therefore, 'land' is a wide term in Economics.
- e. Land earns 'rent' in productive activity.

ii. Labour:

- a. Labour is a **human factor** of production.
- b. Any physical or mental effort undergone during the process of production to earn the reward of 'wages' is called labour.
- c. E.g.: carpenter, engineer, accountant, bus conductor etc.

iii. Capital:

- a. Capital is a **produced means** for further production.
- b. It is a **man-made factor** of production.
- c. Capital earns 'interest' as reward.
- d. E.g.: machinery, technology, factory building etc.

iv. Entrepreneur:

- a. Entrepreneur is the **organizer** who is a real captain of the industry.



- b. He is a **special kind of labour** who co-ordinates, organizes and gets work done from other factors of production.
- c. He earns 'profit' as reward.

[Note: Scan the adjacent QR code to view video clip explaining factors of production.]



2) DISTRIBUTION

- i. Distribution refers to division of factor rewards among different segments of the society.
- ii. In other words, the payment of rent to land, wages to labour, interest to capital and profit to entrepreneur takes place through the process of distribution.

3) EXCHANGE

- i. Exchange refers to sale and purchase of goods and services.
- ii. It refers to give and take between various units in the economy.
- iii. In Economics, exchange has to be a monetary transaction.

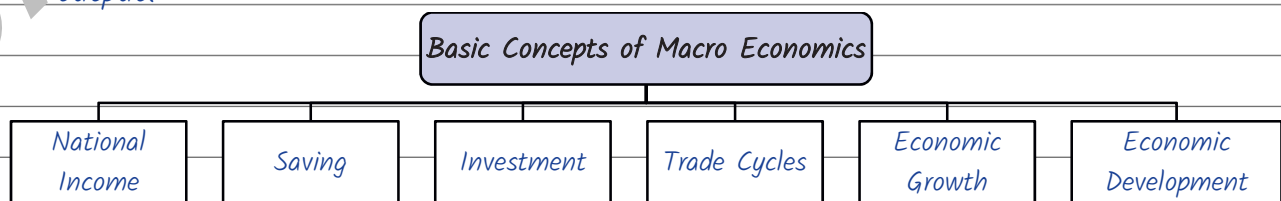
4) CONSUMPTION

Consumption refers to making use of goods & services to satisfy human wants.

13. Explain the basic concepts of Macro Economics. (T)

Ans: In 1933, Sir Ragnar Frisch coined the terms 'Micro Economics' and 'Macro Economics'. These terms are derived from the Greek words 'Mikros' and 'Makros', respectively. Macro means large or aggregate or total. Macro-Economics is therefore the study of aggregates covering the entire economy such as total employment, national income, national output, total investment, total savings, total consumption, aggregate supply, aggregate demand, general price level etc.

According to Kenneth E. Boulding, "Macro Economics deals not with individual quantities as such, but with the aggregates of these quantities, not with the individual incomes but with the national income, not with individual prices but with the general price level, not with individual output but with the national output."





SMART CODE

N

S

I

T

E²

1) NATIONAL INCOME

In simple words, national income means the total income of the country. It reveals the total economic performance of a nation. In the economic sense, national income is the aggregate monetary value of all final goods and services produced in an economy during a year.

According to National Income Committee, "A national estimate measures the volume of commodities and services turned out during a given period counted without duplication".

2) SAVING

Saving is that part of the income which is not immediately spent on consumption. This part (of income) is usually set aside to be able to satisfy needs that arise in the future.

E.g.: If the national income of a country is ₹ 50,000 crores, it may allocate funds on various plans & programmes only up to the extent of ₹ 40,000 crores and save ₹ 10,000 crores for an emergency or future year.

3) INVESTMENT

It refers to creation of capital assets through mobilisation (collection) of savings.

E.g.: machinery, equipment etc.

4) TRADE CYCLES

Trade cycles are fluctuations in business. They are ups and downs in the overall economic activities. Ups and downs refer to fluctuations caused by inflation and depression, respectively. Inflation refers to a continuous rise in general price level. Conversely, depression is a continuous fall in overall prices and slowdown of economic activity in general.

5) ECONOMIC GROWTH

Economic growth means an increase in the real national income of the country over a long period of time. The term economic growth has a 'quantitative' dimension.

6) ECONOMIC DEVELOPMENT

Economic development refers to economic growth plus progressive changes in certain important variables which determine the well-being of people like education, health and sanitation etc. The term economic development has a 'qualitative' dimension. It is a wider concept than economic growth.

**Q.2. Distinguish Between**1. **Economic Growth and Economic Development**

Economic Growth	Economic Development
1) Meaning	
Economic growth means an increase in the real national income of the country.	Economic development indicates economic growth plus progressive changes in certain important variables which determine well-being of the people.
2) Scope	
This concept is narrow and quantitative.	This concept is broader and qualitative.
3) Interrelation	
Economic growth is possible without economic development.	Economic development is not possible without economic growth.
4) Dimensions	
Economic growth is a unidimensional concept.	Economic development is a multi-dimensional concept.
5) Nature	
Economic growth is spontaneous and reversible.	Economic development is deliberate and irreversible.
6) Measurement	
Economic growth is measured in terms of national income and per capita income.	Economic development is measured in terms of agricultural productivity, industrial productivity, quality of human life etc.

ACTIVITIES FROM TEXTBOOK

1. Refresh your memory (Textbook page no. 1)

Types of economic systems:

Ans: 1) **Capitalism**

Capitalism is an economic system wherein the factors of production are wholly controlled by private individuals or entities. The aim of capitalism is earning profit for the private individuals or entities.

E.g.: UAE, Australia, Switzerland etc.



2) Socialism

Socialism is an economic system wherein the factors of production are wholly controlled by the government or society. The aim of socialism is distribution of wealth equally among the people.

E.g.: China, Denmark, Norway etc.

3) Mixed Economy

Mixed economy is an economic system wherein there are features of both, capitalism and socialism. There is a freedom to private entities to use the factors of production but the government timely intervenes in the economic activities to ensure that social aims are also accomplished.

E.g.: India, USA, UK etc.

2. Find Out (Textbook page no. 2)

Nobel prize winners in Economics

Ans:

Name of winner	Year
Paul Romer	2018
William Nordhaus	2018
Richard Thaler	2017
Oliver Hart	2016
Bengt Holmstrom	2016
Angus Deaton	2015

Do you know?

Paul Romer and William Nordhaus have won Nobel Memorial Prize in Economics for 2018. Paul Romer tends to be described as a growth theorist whereas Mr. Nordhaus has remarkably contributed to the field of Environmental Economics.

3. Find Out (Textbook page no. 4)

Ans:

Example	Type of good
Water in river	Free good
Oxygen cylinder	Economic good
Sunshine	Free good
Water processed for drinking	Economic good
Air	Free good



4. Try This (Textbook page no. 5)

List of commodities which satisfy the condition of physical transferability and notional transferability.

Ans:

Sr. No	Physical Transferability	Notional Transferability
i.	Vehicle	Land
ii.	Books	Building
iii.	Furniture	House property
iv.	Laptop	Intellectual property rights (patent, copyright etc.)

Do you know?

Physical transferability refers to actual transfer of goods from one person to another and from one place to another. E.g. vehicle.

Notional Transferability means it is not possible to transfer the good physically but there can be only transfer of ownership rights. E.g. land

5. Find Out (Textbook page no. 7)

Ans:

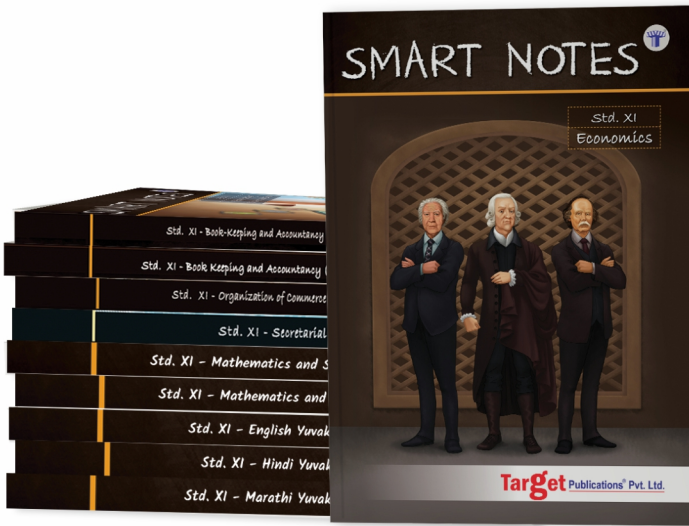
Sr. No	Term	Micro Economics / Macro Economics
i.	Global poverty	Macro Economics
ii.	Price of a commodity	Micro Economics
iii.	Balance of payments	Macro Economics
iv.	Profits of a firm	Micro Economics
v.	National income	Macro Economics



Std. XI

SMART NOTES

COMMERCE



Available Subjects:

- Book-Keeping and Accountancy
- Book-Keeping and Accountancy (Practice)
- Economics
- Organization of Commerce and Management
- Secretarial Practice
- Mathematics and Statistics - 1
- Mathematics and Statistics - 2
- English Yuvakbharati
- Hindi Yuvakbharati
- Marathi Yuvakbharati

BUY NOW

Salient Features

- Handwritten style of books for theory subjects
- Detailed explanation of concepts with practical examples
- Exhaustive coverage of textbook & additional questions
- Multiple tools & tricks provided to memorize content

Target Publications® Pvt. Ltd.

88799 39712 / 13 / 14 / 15

mail@targetpublications.org

www.targetpublications.org