Question 1. Define a plan.

Answer.

Plan lays down the systematic arrangement of specific actions to be performed to achieve a desired result. From the perspective of economics, plan lays down the long term framework for government that how should be resources of the economy utilised for the welfare of the nation.

Question 2. Why did India opt for planning?

Answer.

After independence, Indian economy was in a very peculiar shape. There was wide spread poverty, huge unemployment, insufficient infrastructure, limited resources, inequality and low GDP growth rate. There was low level of industrialisation, market was really weak, and trade & commerce were stagnant. Thus, planning was opted as it lays down the framework for utilising resources of the economy in an efficient and effective manner for the welfare of the nation.

Question 3. Why should plans have goals?

Answer.

Plans are made to achieve some results. These results are actually goals, which need to be achieved through implementing the plan. Without a goal or a target planning activity would be futile.

Question 4. What are High Yield Variety (HYV) seeds?

Answer.

High Yield Variety (HYV) of seeds were the seeds developed by scientist Norman Borlaug; which increased the proportion of agricultural produce compared to normal variety of seeds. These are used with fertilizers and pesticide in correct quantity with regular supply of water. The HYV seeds can increase produce 10 times more than the normal seed on the same area of land.

Question 5. What is marketable surplus?

Answer.

The agricultural produce sold by farmer in the market after taking out a portion for his subsistence is known as marketable surplus.

Marketable surplus = Total output produced – portion of output taken for self consumption.

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

Answer.

After independence, the state of agriculture was very poor; growth of the sector was sluggish. Even though 75% of the economy was agrarian there was widespread poverty & inequality in the agriculture sector. This was due to various land settlement systems introduced by colonial government. Intermediaries like zamindars, jagirdars were parasite to the system. They collected huge amount of rents from actual land tillers without contributing towards improvement in farm technology. Cultivators had no incentive to improve or put in extra efforts to increase the produce or improve the cultivating techniques. Thus, agricultural productivity was low in absolute terms. Large amount of land was consolidated in hands of very few, and rest of the land was fragmented and sub-divided. These were the key issues which led to introduction of land reforms

Types of land reforms introduced were

1. Abolition of Intermediaries - This was one of the major agricultural reforms to promote equity in agriculture sector. In this zamindari system and other intermediaries were abolished which only collected rent from actual tillers and contributed nothing towards production. This abolition transferred ownership of land to the actual tillers which enabled them to earn profit and make necessary improvements in cultivation techniques.
2. Ceiling on Land Holdings - Land ceiling refers to fixing the maximum amount of land which can be owned by a person. This helped in reducing the concentration of land in fewer hands.
3. Land Consolidation - Land consolidation means to bring together small, scattered and fragmented land holdings in an area through purchase or exchange with others. This was done to reap up the benefits of large scale farming.
4. Cooperative Farming - To solve the issues of sub-divided land holdings cooperative farming was introduced. In this system, farmers pooled their small land holdings for the purpose of cultivating together and were able reap benefits of large scale farming.
5. Bhoodaan Movement - Bhoodaan Movement or land gift movement started in 1951, spearheaded by Acharya Vinobha Bhave. He collected land from the rich landlords and re-distributed it to landless workers.

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

Answer.

Green revolution refers to increase in productivity of agricultural produce due to use of high yield variety (HYV) seeds. These seeds increased the proportion of produce 10 times as compared to normal seeds during 1960's, especially wheat and rice.

State of Indian agriculture after independence was very peculiar. Even though 75% of rural economy was engaged in activities related to agriculture, productivity was very low. The agricultural productivity was low due to use of obsolete technology and absence of required infrastructure. Indian agriculture significantly depends on the monsoon. If monsoon fell short, the farmers were in deep trouble unless they had access to irrigation facilities. The stagnation in agriculture sector came to a halt with introduction of high yield variety (HYV) seeds, which led to green revolution. This move was in sync with the goals of five year plan adopted by government to become self sufficient in agriculture.

Green revolution turned out to be beneficial for the economy. There was a significant increase recorded in the agricultural produce especially for rice and wheat. There was significant increase in the marketable surplus; farmers were able to sell more in the market after keeping a portion of produce for their personal consumption. This led to an increase in relative income of farm households, though there was a fall in the prices of the food grains. There were improvements in irrigation facilities, as HYV seeds require regular supply of water. Small farmers were able to avail loans at low interest rate and subsidised fertilizers, which was not an option for them earlier.

Question 8. Explain 'growth with equity' as a planning objective.

Answer.

Growth is very important for an economy. Growth refers to increase in country's capacity to produce the goods and services. Growth is always beneficial for an economy, but growth shall always be related to social welfare. Equity with growth is necessary because growth leads to inequality through income disparities in the economy. There should be equal opportunity created for every section of the society in the development process. Every individual should be able to meet his or her basic needs and live a decent lifestyle. Growth shall not only benefit the rich but also the poor and weaker sections of the society; so that they can facilitate health and education facilities which provide them equal opportunity to grow.

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

Answer.

Mordernisation refers to adoption of new technology to increase the production of goods and services. In view of this definition many think that mordernisation will lead to mass unemployment. But it's a much broader term than the above given narrow view; it refers to change in social outlook. It gives recognition to women and equal rights to men and women.

Mordernisation leads to opening up of new horizons of employment. With improvement in technology there is an increase in productivity, which leads to an increase in income which in turn leads to rise in demand of goods and services. This increased demand creates more employment opportunities. Thus, mordernisation is improving the living standards of the country and increasing the employment. It can't be denied that in the short run mordernisation does reduce employment opportunities for the unskilled workers but in the long run after required training, it definitely increases the employment opportunities for them.

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

Answer.

Self-reliance refers to fulfilling needs with available resources and without using any resource of some external source. After independence, India was dependent on imports and food aid for fulfilling its primary needs which led to huge decline in foreign exchange reserves. This dependency on foreign countries for fulfilling necessary requirements leads to indirect interference in domestic and foreign policies which affects the sovereignty of the country. Thus, it was necessary for developing country like India to follow the objective of self reliance as it had the potential and sufficient amount of economic resources to be self reliant. Self- reliance as a goal has helped India to reduce its dependency over the other countries over the years.

Question 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.

Economy is divided into 3 sectors – Primary, secondary and tertiary. The sectoral composition of an economy is decided on the basis of share contributed by each sector towards the GDP of the economy. Primary sector comprises of agriculture, secondary sector consists of manufacturing and services come under tertiary sector. Empirically, it has been noticed that in initial stages of development agriculture sector contributes the most towards the GDP. Later, the share of agriculture shrinks and share of secondary and tertiary sector increases. It is in the developed economies where service sector contributes maximum towards the GDP.

It is not necessary for the service sector of the economy to contribute maximum towards the GDP. The contribution of a sector depends upon the rate of employment in particular sector of the economy. Further, it also depends on the resources and policies taken up by government for development. But, after a certain stage of development services definitely contribute maximum. This is due to a certain living standard achieved by the economy during the growth process where services related to the industrial and agricultural products become more important. Gradually, with technological development there are increased job opportunities in the service sector which leads to an increase contribution of service sector.

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

Answer.

Public sector was given a leading role in industrial development during the earlier phase of planning because Indian policy makers were following the socialist lines of development. It meant state would have control over the major industries of the economy and private sector can play a complimentary role. On the other hand, Indian industrialists were very skeptical about investing in new ventures. They didn't had enough capital to undertake heavy industries which involved huge initial fixed cost and even if they had the necessary capital the market for industrial products was very small. These factors discouraged them to undertake heavy initial investments, thus public sector had to step ahead and play a leading role in industrial development.

Question 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.

India was dependent on USA for food imports due to low productivity of its agriculture sector. There was severe drought for two consecutive years in 1960's in some areas of the country. It was the introduction of green revolution in the mid 1960's which changed the situation. Green revolution led to an increase in agricultural output of the country especially rice and wheat. This led to rise in marketable surplus for the farmers, which reduced the prices of food grains in the market. Green revolution made the country self reliant in food grain production and improved the food security status. Government was able to procure surplus amount of food grains from the market to build a buffer stock which could be utilsed in times of shortage.

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

Answer.

Subsidies are the money grant provided by government to the industries to keep the price of the products low. Subsidies in agriculture definitely burden the government finances, but they are very essential from the perspective of welfare of the economy. Without subsidies only rich farmers would be able to prosper as they would have the necessary capital to take advantage of new technology. Subsidies create an equal opportunity for small farmers to compete with rich and big counterparts, though big farmers benefit from it. As we know in India majority of farmers are with small land holding or small farmers, subsidies are blessing in disguise for them which helps them to compete with the rich and large farm holders. Some of the economists argue that subsidies were only introduced to encourage the use of new technology. Once this new technology has been found profitable and is widely used, subsidies should be phased out as its purpose has been served and is only benefiting the fertiliser industry. On the other hand there is an argument in favour to keep the amount of subsidies intact as agriculture still remains a risky business and most of the farmers are small and poor and can't afford the required inputs without subsidies. And, subsidies are also useful in keeping the agricultural output sustained at constant level which is necessary for the nation's food security. They are also contributing towards keeping the rural employment rate of the country high as majority of rural population is engaged in farm related activities.

Question 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.

In development theories, developing nations are the one whose population is in transition to find work in the modern (industry or service) sector from the traditional sector (agriculture) sector. In Indian scenario, this transition took place after 4 decades of planning. This was due to the fact that service and industrial sector were not able to absorb the excess agricultural labour.

Indian industries were protected till 1990 and they didn't try to expand their operations and scope and kept enjoying their monopoly status. Incumbent firms or existing firms were interested in procuring new licenses and quotas not to expand their activities or start new firms but to prevent competition from new firms. This attitude of industrial sector didn't increase the employment opportunities in the economy. But after 1990's reforms, there were increased job opportunities in the industrial and service sector due to competition and new foreign entrants in the domestic market. Even though, after green revolution took place the agricultural contribution to GDP declined considerably in later stages. But the employment in agriculture didn't decline at the same pace. 65% of population continued to be engaged in the agriculture sector till 1990 because industrial and service sector were not able generate new opportunities.