BUILDING BLOCKS IN ECONOMICS

Class 09 - Social Science (Understanding Society)

Time Allowed: 1 hour and 28 minutes **Maximum Marks: 145**

1. Which of the following countries is provided as an example of a predominantly market-oriented economy? **[1]**

   a) North Korea b) China

   c) United States d) India

2. In which economic system are all decisions taken by a central authority or the government? **[1]**

   a) Centrally Planned Economy b) Laissez-faire Economy

   c) Mixed Economy d) Market Economy

3. Which country is given as an example of a Centrally Planned Economy? **[1]**

   a) United States b) North Korea

   c) India d) Germany

4. Which characteristic is associated with a Centrally Planned Economy? **[1]**

   a) Limited government interference b) Freedom of choice for consumers and producers

   c) Government ownership of resources d) Profit motive drives production

5. A "Mixed Economy" is a system where: **[1]**

   a) Only the private sector exists b) Both private and public sectors coexist

   c) International trade is banned d) Only the public sector exists

6. What is the primary objective of a Centrally Planned Economy? **[1]**

   a) Promoting unlimited private enterprise b) Maximizing consumer choice

   c) Profit maximization d) Achieving equality and welfare

7. What is the primary objective of a market economy? **[1]**

   a) Government ownership of resources b) Equality

   c) Profit d) Growth with welfare

8. Who is primarily responsible for studying the production, distribution, and consumption of goods? **[1]**

   a) Historians b) Politicians

   c) Sociologists d) Economists

9. Which of the following is NOT typically considered a resource in the context of economics? **[1]**

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a) Time
b) Machinery
c) Human desires
d) Land

10. What happens to human wants as soon as one is satisfied? **[1]**

a) They disappear completely
b) Another one arises
c) They are replaced by needs only
d) They become less important

11. The problem of "For whom to produce" focuses on: **[1]**

a) Increasing exports
b) Selecting the right seeds for farming
c) The distribution of the final goods among consumers
d) Reducing the use of machinery

12. In which type of economic system does the government own and manage resources, and government authorities fix production targets? **[1]**

a) Market Economy
b) Mixed Economy
c) Barter Economy
d) Centrally Planned Economy

13. Which of the following is the fundamental reason behind all economic problems? **[1]**

a) Lack of money
b) Scarcity of resources
c) Government interference
d) Overpopulation

14. Which economic system is characterized by decisions largely guided by demand and supply, with limited government interference? **[1]**

a) Market Economy
b) Socialist Economy
c) Mixed Economy
d) Centrally Planned Economy

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15. What is meant by the term ‘production’? **[1]**

a) The process of selling goods and services.
b) The creation of goods and services.
c) The consumption rate of goods.
d) The distribution of income.

16. The problem of "How to produce" is related to: **[1]**

a) Choice of goods
b) Quantity of production
c) Distribution of income
d) Choice of technique (Labor vs. Capital intensive)

17. The value of the next best alternative foregone when a choice is made is called: **[1]**

a) Opportunity cost
b) Social cost
c) Market value
d) Production cost

18. The concept of "Welfare Economy" focuses mainly on: **[1]**

a) Maximum profit for firms
b) Reducing international trade
c) Increasing the price of luxury goods
d) Social well-being and equitable distribution

19. Which of the following is an example of a public good or service provided by the government in a **[1]**

welfare economy?

a) Exclusive private golf clubs.
b) Government schools.
c) Toll roads managed by private corporations.
d) Luxury apartment buildings.

20. Which of the following is an example of an issue economists analyse? **[1]**

a) Inflation and unemployment.
b) Advances in medical technology.
c) Influenza outbreaks.
d) Changes in local weather patterns.

21. What role does the government typically play in a Mixed Economy? **[1]**

a) Moderate role in regulation and strategic sectors
b) No role, entirely hands-off
c) Limited and primarily providing public services only
d) Very high, controlling all sectors

22. What fundamental characteristic of resources leads to the three basic problems faced by every economy? **[1]**

a) Their constant distribution.
b) Their uniform cost.
c) Their unlimited availability.
d) Their limited nature.

23. Which of the following is considered a basic need that a welfare economy aims to make accessible to everyone? **[1]**

a) Private security services.
b) Luxury goods.
c) Basic necessities
d) High-end technology.

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24. Economic analysis helps policy-makers by: **[1]**

a) Increasing the scarcity of resources
b) Eliminating the need for a government
c) Solving real-world issues like poverty and unemployment
d) Predicting the future with 100% certainty

25. What is the fundamental economic problem that arises due to the mismatch between limited resources and unlimited human wants? **[1]**

a) Recession
b) Inflation
c) Unemployment
d) Scarcity

26. Match the items in List I with those in List II. **[1]**

List I	List II
(A) Scarcity	(I) Value of next best alternative forgone
(B) Opportunity cost	(II) Unlimited wants, limited resources
(C) Trade-off	(III) Giving up one thing for another
(D) Unlimited wants	(IV) New desires arise after satisfaction

a) A-III, B-IV, C-I, D-II
b) A-IV, B-III, C-II, D-I

c) A-II, B-I, C-III, D-IV

d) A-I, B-II, C-IV, D-III

27. Match the items in List I with those List II. **[1]**

List I	List II
(A) Private businesses make decisions	(I) Mixed Economy
(B) Government authorities fix targets	(II) Market Economy
(C) Government regulates industries	(III) Centrally Planned Economy
(D) Public Distribution System (PDS)	(IV) Example of mixed economy mechanism

a) A-I, B-II, C-IV, D-III

b) A-IV, B-I, C-II, D-III

c) A-II, B-III, C-I, D-IV

d) A-III, B-IV, C-I, D-II

28. Match the items in List I with those List II. **[1]**

List I	List II
(A) Role of Government: Limited	(I) Centrally Planned Economy
(B) Main Objective: Equality	(II) Market Economy
(C) Ownership: Both private and government	(III) Mixed Economy
(D) Economic System Decision	(IV) How to organize economy

a) A-III, B-IV, C-I, D-II

b) A-I, B-II, C-IV, D-III

c) A-II, B-I, C-III, D-IV

d) A-IV, B-III, C-II, D-I

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29. Match the items in List I with those List II. **[1]**

List I	List II
(A) Market Economy	(I) Government ownership
(B) Centrally Planned Economy	(II) Shared decision-making
(C) Mixed Economy	(III) Profit motive drives production
(D) USA	(IV) Example of market economy

a) A-III, B-I, C-II, D-IV

b) A-IV, B-II, C-III, D-I

c) A-I, B-III, C-IV, D-II

d) A-II, B-IV, C-I, D-III

30. Match the items in List I with those in List II. **[1]**

List I	List II
(A) Basic Needs Accessibility	(I) Increased economic inequality
(B) Market-based System Limitation	(II) PDS for subsidized food grains
(C) Absence of Social Safety Nets	(III) Education, healthcare, housing
(D) Social Safety Net Benefit	(IV) People left behind

a) A-III, B-IV, C-I, D-II

b) A-II, B-I, C-IV, D-III

c) A-IV, B-III, C-II, D-I
d) A-I, B-II, C-III, D-IV

31. **Statement I:** In a market economy, the government has no role in regulating markets or providing public services to maintain a purely free market. **[1]**
Statement II: The focus on equality and welfare is a primary characteristic of a centrally planned economy, even if it leads to inefficiency.

a) Statement I is false but Statement II is true
b) Both Statement I and Statement II are true
c) Both Statement I and Statement II are false
d) Statement I is true but Statement II is false

32. **Statement I:** Economists help governments decide how to allocate funds for various sectors like education and healthcare. **[1]**
Statement II: The study of how income is divided among individuals and groups falls under the economist's role in analyzing 'distribution'.

a) Statement I is false but Statement II is true
b) Both Statement I and Statement II are true
c) Both Statement I and Statement II are false
d) Statement I is true but Statement II is false

33. **Statement I:** Social safety nets are primarily designed to generate additional revenue for the government through public-private partnerships. **[1]**
Statement II: The Mid-Day Meal Scheme and pension schemes for senior citizens are examples of social safety nets.

a) Both Statement I and Statement II are false
b) Both Statement I and Statement II are true
c) Statement I is false but Statement II is true
d) Statement I is true but Statement II is false

34. **Statement I:** The primary objective of a market economy, exemplified by the USA, is focused on achieving equality among its citizens. **[1]**
Statement II: Centrally planned economies prioritize innovation and competition by encouraging limited government interference in economic decisions.

a) Both Statement I and Statement II are true
b) Statement I is false but Statement II is true
c) Statement I is true but Statement II is false
d) Both Statement I and Statement II are false

35. **Statement I:** The ownership of resources in a centrally planned economy is primarily by private individuals, fostering widespread competition. **[1]**
Statement II: In a mixed economy, market forces determine prices in many sectors, while the government provides welfare through policies and schemes like PDS.

a) Statement I is false but Statement II is true
b) Both Statement I and Statement II are true

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c) Both Statement I and Statement II are false

d) Statement I is true but Statement II is false

36. **Assertion (A):** Governments face opportunity costs when allocating public funds. **[1]**
Reason (R): Public funds are limited and must be distributed among competing needs.

a) Both A and R are true and R is the correct explanation of A.

b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

37. **Assertion (A):** Scarcity exists even in developed economies with abundant resources. **[1]**
Reason (R): No country possesses truly unlimited resources to satisfy all desires.

a) Both A and R are true and R is the correct explanation of A.

b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

38. **Assertion (A):** Government regulation exists even in a market economy. **[1]**
Reason (R): Governments provide public services and oversee market operations.

a) Both A and R are true and R is the correct explanation of A.

b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

39. **Assertion (A):** Economists study income distribution within populations. **[1]**
Reason (R): Understanding income inequality is crucial for suggesting measures to reduce it.

a) Both A and R are true and R is the correct explanation of A.

b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

40. **Assertion (A):** Economic analysis informs solutions for environmental issues like pollution. **[1]**
Reason (R): Economists propose carbon taxes to mitigate environmental impact.

a) Both A and R are true and R is the correct explanation of A.

b) Both A and R are true but R is not the correct explanation of A.

c) A is true but R is false.

d) A is false but R is true.

41. What is a Market Economy? **[2]**

42. Describe the core principle behind 'opportunity cost' and provide an instance from daily life where a choice involves this economic concept. **[2]**

43. Explain how the distribution of produced goods and services is determined within an economy and why this is a critical problem. **[2]**

44. State one major objective of a Centrally Planned Economy. **[2]**

45. Explain the primary objective of economists in their professional roles. **[2]**

46. How does an economic system that blends both private initiative and state oversight function in addressing resource ownership and allocation? **[2]**

47. What is meant by Scarcity? **[2]**

48. Explain the primary factors that guide production decisions in an economic system where individuals and private entities largely control resources and output, and how these factors **[2]**

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impact consumer choices.

49. How does a nation's foundational economic framework influence resource allocation and goods distribution among its citizens? **[2]**
50. Describe why the concept of limited availability, rather than complete absence, is central to understanding resource constraints even in affluent nations. **[2]**
51. What are the common challenges associated with an economic model that prioritizes state control over all resources and economic activities, despite its goal of reducing disparity? **[2]**
52. In what ways do governmental market regulations contribute to the goals of a welfare-oriented economy? **[2]**
53. What is meant by 'distribution' in the context of economic processes studied by economists? **[2]**
54. Differentiate between an economy where private individuals own resources and one where the state controls significant sectors, considering decision-making and government intervention levels. **[2]**
55. What are the two types of techniques used in "How to produce"? **[2]**
56. What primary economic objective is central to a system where both market forces and government policies influence resource allocation and production decisions? **[3]**
57. Elaborate on the economic concepts of production, highlighting the key questions economists address within this process. **[3]**
58. Describe the primary objectives that guide government actions in a welfare-oriented economic framework. **[3]**
59. Analyze the potential trade-offs between efficiency and equality in an economic system where resources are predominantly owned and managed by the state. **[3]**
60. Differentiate between Market Economy and Centrally Planned Economy. **[3]**
61. What is the role of an Economist in society? **[3]**
62. Describe why individuals and societies must constantly make choices, even when a previously desired item or service has been acquired. **[3]**
63. Explain why the concept of limited resources and unlimited wants leads to the necessity of financial planning and budgeting for households. **[3]**
64. How does a nation blend elements of private enterprise with government oversight to achieve economic growth while simultaneously addressing social welfare concerns? **[3]**
65. Explain how the concept of scarcity fundamentally drives the existence of central economic problems. **[3]**
66. **Read the given source carefully and answer the questions that follow:** **[4]**

    Three countries follow different economic systems. Country A allows private businesses to make most economic decisions and relies heavily on market forces. Country B has a government that owns major resources and determines production targets. Country C combines private enterprise with government regulation and welfare programmes. Citizens of Country A enjoy wide consumer choice but face income inequality. Country B emphasises equality but offers limited consumer freedom. Country C attempts to balance economic growth with social welfare. These examples represent market, centrally planned, and mixed economic systems.

    Questions:

    a. Which economic system is followed by India? **(1)**

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b. What is a market economy? **(1)**

c. How does a mixed economy combine features of other systems? **(2)**

67. **Read the given source carefully and answer the questions that follow:** **[4]**

A country's government owns major industries, fixes prices, and decides how many goods should be produced annually. Citizens have limited options when purchasing products because production decisions are centrally controlled. Another country allows private companies to compete freely and respond to consumer demand. A third country uses both private businesses and government enterprises to meet economic objectives. Economists compare these systems to understand their strengths and weaknesses and how they address economic problems.

Questions:

a. Which system is based on government ownership of resources? **(1)**

b. What is the main objective of a market economy? **(1)**

c. Compare centrally planned and market economies. **(2)**

68. **Read the given source carefully and answer the questions that follow:** **[4]**

During the COVID-19 pandemic, millions of workers and businesses faced economic difficulties. Governments around the world consulted economists to understand the impact of lockdowns on employment and production. Economists studied data related to income, consumer spending, industrial output, and public health measures. Based on their analysis, they recommended relief packages, financial assistance for workers, and support for businesses. They also advised governments on balancing economic activity with public safety. Their work helped policymakers decide where resources should be allocated and how recovery could be accelerated. This example highlights the importance of economists in addressing real-world challenges and improving economic outcomes.

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Questions:

a. What is production? **(1)**

b. What is consumption? **(1)**

c. Why were economists important during the COVID-19 pandemic? **(2)**

69. **Read the given source carefully and answer the questions that follow:** **[4]**

The government launches several welfare schemes to improve the lives of vulnerable citizens. Subsidised food grains are distributed through the Public Distribution System, farmers receive financial assistance, and poor families gain access to free healthcare. Public schools and hospitals are expanded so that essential services become accessible to everyone. The government also collects taxes from higher-income groups and uses the revenue to support welfare programmes. These initiatives aim to reduce inequality and ensure that basic needs are met. Such policies reflect the principles of a welfare-oriented economy.

Questions:

a. What is a welfare economy? **(1)**

b. What are social safety nets? **(1)**

c. Why does the government intervene in a welfare economy? **(2)**

70. **Read the given source carefully and answer the questions that follow:** **[4]**

When the prices of onions and tomatoes suddenly increased across India, many families found it difficult to manage their household budgets. The government wanted to understand the reasons

behind the price rise and sought the help of economists. Economists collected data on crop production, transportation costs, market supply, and consumer demand. They analysed trends and discovered that heavy rainfall had damaged crops, reducing supply. Based on their findings, they suggested importing vegetables from other regions and improving storage facilities. Economists also studied how the price increase affected consumers and farmers differently. Their recommendations helped policymakers take informed decisions. Apart from inflation, economists also study unemployment, poverty, income distribution, environmental issues, and economic growth. Their work assists governments, businesses, and international organisations in solving real-life economic problems and improving living standards.

Questions:

a. What is inflation? **(1)**

b. What do economists study? **(1)**

c. How do economists help solve economic problems? **(2)**

71. Compare and contrast Mixed Economy with Market and Centrally Planned systems. Why did India choose a Mixed Economy? **[5]**

72. Define the economic principle that quantifies the true cost of making a choice, extending beyond mere monetary expenditure, by considering the sacrifices made. **[5]**

73. Explain the fundamental principles that differentiate a welfare-oriented economic system from a purely market-based economic system. **[5]**

74. Describe the core concept that arises when a selection is made from several viable alternatives, highlighting what is inherently given up in that decision-making process. **[5]**

75. Discuss the features and significance of a Welfare Economy. **[5]**

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Solution
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1.

(c) United States
Explanation:
The United States is given as an example of a market-oriented economy where business decisions are guided by consumer demand and profit.

2. **(a)** Centrally Planned Economy
Explanation:
Centrally Planned Economy

3.

(b) North Korea
Explanation:
North Korea is cited as an example of a country with a Centrally Planned Economy, where the government makes almost all major economic decisions.

4.

(c) Government ownership of resources
Explanation:
A key feature of a Centrally Planned Economy is government ownership of resources.

5.

(b) Both private and public sectors coexist
Explanation:
Both private and public sectors coexist

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6.

(d) Achieving equality and welfare
Explanation:
A Centrally Planned Economy focuses on equality and welfare, with the government controlling major economic decisions to achieve these goals.

7.

(c) Profit
Explanation:
The main objective of a market economy is profit, which drives production and business decisions.

8.

(d) Economists
Explanation:
Economists

9.

(c) Human desires
Explanation:
Human desires are considered wants, not resources. Resources include time, land, labor, machinery, and natural resources.

10.

(b) Another one arises

Explanation:

Human wants are unlimited. As soon as one want is satisfied, a new want usually emerges. This is a basic concept in economics that explains continuous demand for goods and services.

11.

(c) The distribution of the final goods among consumers

Explanation:

The distribution of the final goods among consumers

12.

(d) Centrally Planned Economy

Explanation:

In a centrally planned economy, the government controls and makes almost all major economic decisions. Resources are owned and managed by the state, and government authorities fix production targets.

13.

(b) Scarcity of resources

Explanation:

Scarcity of resources

14. **(a)** Market Economy

Explanation:

A Market (Free Market) Economy is defined by economic decisions made by individuals and private businesses, with prices guided by demand and supply, and limited government interference.

15.

(b) The creation of goods and services.

Explanation:

Production refers to the creation of goods and services. Economists study what goods are produced, how much is produced, and what resources are used.

16.

(d) Choice of technique (Labor vs. Capital intensive)

Explanation:

Choice of technique

17. **(a)** Opportunity cost

Explanation:

Opportunity cost

18.

(d) Social well-being and equitable distribution

Explanation:

Social well-being and equitable distribution

19.

(b) Government schools.

Explanation:

Government schools are explicitly mentioned as an example of public goods and services provided for public use.

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20. **(a)** Inflation and unemployment.
Explanation:
Economists use logical reasoning to understand issues such as inflation, unemployment, poverty, and economic growth.

21. **(a)** Moderate role in regulation and strategic sectors
Explanation:
In a Mixed Economy, the government plays a moderate role, engaging in regulation, operating strategic sectors, and ensuring welfare alongside private sector participation.

22. **(d)** Their limited nature.
Explanation:
The passage explicitly states that problems arise because resources like land, labor, capital, and time are limited, while human wants are unlimited.

23. **(c)** Basic necessities
Explanation:
A welfare economy focuses on public well-being. It ensures everyone has access to essential life requirements, like food, shelter, healthcare, and education, to reduce poverty and guarantee a basic standard of living.

24. **(c)** Solving real-world issues like poverty and unemployment
Explanation:
Solving real-world issues like poverty and unemployment

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25. **(d)** Scarcity
Explanation:
Scarcity is defined as the basic economic problem arising because resources are limited while human wants are unlimited.

26. **(c)** A-II, B-I, C-III, D-IV
Explanation:
A-II, B-I, C-III, D-IV
Scarcity arises because human wants are unlimited while resources are limited. Opportunity cost refers to the value of the next best alternative that is sacrificed when making a choice. A trade-off involves giving up one option to obtain another. Human wants are considered unlimited because satisfying one want often leads to the emergence of new wants.

27. **(c)** A-II, B-III, C-I, D-IV
Explanation:
A-II, B-III, C-I, D-IV
- In a **Market Economy**, private businesses make production and investment decisions.
- In a **Centrally Planned Economy**, government authorities set production targets and allocate resources.
- A **Mixed Economy** combines market forces with government regulation.

- The **Public Distribution System (PDS)** is an example of government intervention within a mixed economy.

28.

(c) A-II, B-I, C-III, D-IV
Explanation:
A-II, B-I, C-III, D-IV

- In a Market Economy, the government's role is generally limited.
- A Centrally Planned Economy emphasizes equality and social welfare.
- A Mixed Economy combines private and government ownership.
- Choosing an economic system involves deciding how to organize the economy and allocate resources.

29. **(a)** A-III, B-I, C-II, D-IV
Explanation:
A-III, B-I, C-II, D-IV

- Market Economy is driven by the profit motive and private ownership.
- Centrally Planned Economy involves government ownership and control of resources.
- Mixed Economy combines private and government participation, leading to shared decision-making.
- The USA is commonly cited as an example of a market economy.

30. **(a)** A-III, B-IV, C-I, D-II
Explanation:
A-III, B-IV, C-I, D-II

- **Basic needs accessibility** refers to access to **education, healthcare, and housing**.
- A limitation of a **market-based system** is that some people may be **left behind**.
- The **absence of social safety nets** can lead to **greater economic inequality**.
- A **social safety net benefit** is exemplified by the **Public Distribution System (PDS)**, which provides subsidized food grains to vulnerable groups.

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31.

(c) Both Statement I and Statement II are false
Explanation:
Statement I is false because even in a market economy, the government does have a role, such as regulating markets, providing public goods, and ensuring law and order.
Statement II is also false because while centrally planned economies emphasize welfare and equality, they do not focus on these “even if it leads to inefficiency” as a defining characteristic; rather, inefficiency is a common outcome, not a goal or primary focus.

32.

(b) Both Statement I and Statement II are true
Explanation:
Statement I is true because economists assist governments in deciding how to allocate limited resources across sectors like education, healthcare, and defence.
Statement II is also true because studying how income and wealth are distributed among individuals and groups is part of the economic concept of distribution.

33.

(c) Statement I is false but Statement II is true
Explanation:
Statement I is false because social safety nets are not designed to generate revenue; they are meant to provide protection and support to vulnerable groups.

Statement II is true because schemes like the Mid-Day Meal Scheme and pension schemes for senior citizens are examples of social safety nets aimed at ensuring basic welfare and security.

34. **(d)** Both Statement I and Statement II are false
Explanation:
Statement I is false because a market economy (like the USA) primarily focuses on efficiency, profit, and economic growth, not equality among citizens.
Statement II is also false because centrally planned economies involve high government control, not limited interference, and they generally do not prioritize competition and innovation in the same way market economies do.

35. **(a)** Statement I is false but Statement II is true
Explanation:
Statement I is false because in a centrally planned economy, resources are mainly owned and controlled by the government, not private individuals, and there is little scope for competition.
Statement II is true because in a mixed economy, market forces set prices in many sectors, while the government also plays a role in providing welfare measures such as the Public Distribution System (PDS) and other social schemes.

36. **(a)** Both A and R are true and R is the correct explanation of A.
Explanation:
- **Assertion (A) is true:** Governments do face opportunity costs because choosing to spend public funds on one sector means giving up spending on another.
- **Reason (R) is true:** Public funds are limited and must be allocated among various competing needs like health, education, defence, and infrastructure.
- **R correctly explains A** because opportunity cost arises directly due to scarcity and competing demands for limited government resources.

37. **(a)** Both A and R are true and R is the correct explanation of A.
Explanation:
- **Assertion (A) is true:** Scarcity exists even in developed economies because resources, though abundant, are still limited relative to unlimited human wants.
- **Reason (R) is true:** No country in the world has unlimited resources to satisfy all human desires.
- **R correctly explains A** because scarcity is fundamentally caused by the gap between unlimited wants and limited resources.

38. **(a)** Both A and R are true and R is the correct explanation of A.
Explanation:
- **Assertion (A) is true:** Even in a market economy, the government does not completely stay out; it regulates markets to ensure fairness, competition, and stability.
- **Reason (R) is true:** Governments provide public goods (like roads, defense, and education) and regulate market activities to prevent exploitation and inefficiency.
- **R correctly explains A** because government regulation and public service provision are the main reasons why markets are not fully free and are still supervised by the state.

39. **(a)** Both A and R are true and R is the correct explanation of A.
Explanation:
- **Assertion (A) is true:** Economists do study how income is distributed among different groups in society.
- **Reason (R) is true:** Understanding income inequality helps economists design policies to reduce disparities.
- **R correctly explains A** because the study of income distribution is mainly aimed at identifying inequality and suggesting corrective measures.

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40. **(a)** Both A and R are true and R is the correct explanation of A.
    Explanation:
    Carbon taxes are a specific economic tool recommended by economists to address environmental issues by internalizing the cost of pollution.
41. A market economy (or free-market economy) is a system where economic decisions and the pricing of goods are guided by the interactions of individual citizens and businesses, with little government intervention.
42. Opportunity cost is the value of the next best alternative that is given up when making a choice. Since resources are limited, choosing one option means sacrificing another. For example, if a student spends an evening watching a movie instead of studying, the opportunity cost is the learning and preparation they miss by not studying.
43. The distribution of goods and services is determined by purchasing power, income levels, market prices, and government policies like taxes and subsidies. In a market economy, those with higher income get more access, while governments may intervene to ensure fairness. It is a critical problem because unequal distribution can lead to poverty, inequality, and social unrest.
44. The primary objective is social welfare. Decisions are made to ensure that the basic needs of the entire population are met, rather than focusing on individual profit.
45. The primary objective of economists is to systematically investigate the functioning of economic systems. They aim to identify inefficiencies, understand underlying mechanisms, and then formulate and suggest strategies or policies that can lead to improvements in economic performance and conditions for individuals and societies.
46. A mixed economic system combines private enterprise with government control. Resources are owned by both individuals and the state. Private businesses operate for profit and innovation, while the government regulates key sectors, provides public services, and corrects market failures. This balance helps ensure efficient resource allocation, economic growth, and social welfare.
47. Scarcity refers to the limitation of resources in relation to the unlimited wants of human beings. It is a universal problem faced by individuals, firms, and nations.
48. In a market economy, production decisions are mainly guided by consumer demand, prices, profit motives, and competition. Producers allocate resources to goods and services that are most profitable and desired by consumers. This system offers consumers a wide variety of choices, encourages innovation, and allows purchasing decisions to influence what and how much is produced.
49. A nation's economic framework determines how resources are owned, allocated, and distributed. It guides decisions about production, consumption, and investment. In market economies, prices and demand influence allocation, while in planned economies, the government makes key decisions. This framework affects the availability of goods, income distribution, economic opportunities, and the overall standard of living of citizens.
50. Limited availability signifies that a resource exists but not in sufficient quantity to satisfy all demands at once. This distinction is crucial because even wealthy nations, despite having substantial resources, cannot access an infinite supply of everything. Natural resources, labor, and capital are finite relative to the collective desires of the population. Therefore, these nations must still make choices and allocate resources effectively, proving that relative scarcity, not absolute absence, is the defining characteristic.
51. An economic model focused on state control, while aiming to reduce inequality, frequently encounters challenges such as inefficiency, a lack of competitive market dynamics, and restricted consumer choices. Centralized decision-making can lead to misallocation of resources, slow adaptation to changing demands, and diminished incentives for innovation, ultimately hindering overall economic growth and consumer satisfaction.
52. Governmental market regulations support a welfare-oriented economy by controlling prices, preventing monopolies, and ensuring fair competition. They protect consumers from exploitation, improve access to essential goods, and reduce inequality. Regulations also help stabilize the economy and ensure that resources are distributed more equitably, promoting overall social welfare and inclusive development.
53. In economic terms, 'distribution' refers to the examination of how income and economic resources are allocated and divided among different individuals and groups within a society. Economists study this

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process to understand who receives what share of the collective economic output and resource availability, often analyzing issues of inequality.

54. An economy with private resource ownership relies heavily on market forces for decision-making and features limited government intervention. Conversely, in an economy where the state controls significant sectors, there is a shared ownership between private individuals and the government. Decision-making is shared, and the government's role is moderate, often regulating industries and providing welfare alongside private activity.
55. The two techniques are:
    - **Labor-intensive technique:** Uses more labor and less capital.
    - **Capital-intensive technique:** Uses more machines/technology and less labor.
56. The primary economic objective central to a system where both market forces and government policies influence resource allocation and production decisions is achieving 'growth with welfare.' This system seeks to harness the efficiency, innovation, and dynamism driven by market mechanisms, which are often fueled by private enterprise and competition. Concurrently, it aims to counteract market failures and address social inequalities through government intervention. Government policies, regulations, and public services are designed to ensure social welfare, provide a safety net, and promote a more equitable distribution of resources, thus balancing economic expansion with societal well-being.
57. Production in economics refers to the process of converting inputs like land, labour, capital, and technology into goods and services. Economists study production to understand how resources are efficiently used. Key questions include what to produce, how to produce, and for whom to produce. These questions address choice of goods, production techniques, and distribution of output. The concept helps in solving the problem of scarcity and ensuring optimal use of limited resources to satisfy human wants effectively.
58. In a welfare-oriented economic framework, the primary objectives of government actions are to promote social justice, reduce income inequality, and ensure equitable distribution of resources. The government aims to provide basic services such as healthcare, education, and food security to all citizens. It also seeks to protect weaker sections of society and improve overall living standards. Economic stability, inclusive growth, and poverty reduction are key goals, ensuring that development benefits reach all sections of society fairly.
59. In a state-controlled economic system, resources are allocated to promote equality and reduce income disparities through central planning. However, this may reduce efficiency as lack of competition and profit incentives can lower productivity and innovation. Bureaucratic decision-making may also slow resource allocation. While equality improves access to basic needs, efficiency often declines due to limited flexibility and motivation. Thus, the trade-off lies between achieving equitable distribution and maintaining high productivity and economic efficiency.
60.
    - **Ownership:** In a Market Economy, resources are privately owned; in a Planned Economy, they are owned by the government.
    - **Motive:** Market economies work for profit; Planned economies work for social welfare.
    - **Price Determination:** In a Market Economy, prices are set by demand and supply; in a Planned Economy, the government sets the prices.
61. Economists study how society manages its scarce resources. They analyze the production, distribution, and consumption of goods and services. By identifying trends and using data, they help governments and businesses make informed decisions to solve issues like inflation, unemployment, and resource waste.
62. Individuals and societies must constantly make choices because human wants are unlimited, while resources remain finite. As soon as one desire is satisfied, another emerges, leading to a continuous cycle of new wants. For example, acquiring a basic item often leads to desiring an upgraded version. This perpetual nature of wants, combined with the inherent limitations of resources like time, money, and natural materials, necessitates continuous decision-making and prioritization to allocate resources effectively.
63. Households face limited monthly incomes, which are finite resources, while their desires for goods and services, such as education, housing, and entertainment, are virtually endless. This imbalance necessitates financial planning and budgeting. Without it, a household might overspend in one area,

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leaving insufficient funds for other essential needs or future goals. Budgeting helps prioritize expenditures, ensures that critical needs are met, and makes conscious choices about which wants to satisfy, reflecting the reality that not all desires can be simultaneously fulfilled due to resource constraints.

64. A nation blends private enterprise with government oversight through a mixed economy. The private sector drives efficiency, innovation, and growth by producing goods and services based on market demand. At the same time, the government regulates markets, prevents monopolies, and provides essential services like education, healthcare, and infrastructure. It also implements welfare schemes to reduce inequality and support weaker sections. This balance ensures economic growth while promoting social justice, stability, and inclusive development for all citizens.
65. Scarcity is the bedrock of all central economic problems, as it highlights the inherent imbalance between unlimited human desires and limited available resources like land, labor, capital, and time. This fundamental constraint compels every economy to make crucial decisions about what to produce, how to produce it efficiently, and for whom the output will be distributed, ensuring optimal resource utilization.
66. a. India follows a mixed economy. In this system, both the government and private sector participate in economic activities. The government regulates markets and provides welfare services while private businesses operate in many sectors.
    b. A market economy is an economic system where most decisions regarding production and consumption are made by individuals and private businesses. Prices are largely determined by demand and supply, and profit serves as the main motivation.
    c. A mixed economy combines private ownership and market competition with government regulation and welfare measures. It seeks to achieve economic efficiency while protecting public interests through social programmes, regulation, and public sector participation in key sectors.
67. a. A centrally planned economy is based on government ownership and control of resources. The state decides production targets, resource allocation, and prices, while private enterprise is either limited or absent.
    b. The main objective of a market economy is profit and economic efficiency. Producers respond to consumer demand and market signals, encouraging competition, innovation, and efficient use of resources.
    c. In a centrally planned economy, the government controls resources and production decisions, focusing on equality and welfare. In a market economy, private individuals and businesses make decisions based on demand, supply, and profit motives. One emphasises state control, while the other emphasises market freedom.
68. a. Production refers to the creation of goods and services using resources such as land, labour, capital, and entrepreneurship. It is an essential economic activity that helps satisfy human wants and contributes to economic growth.
    b. Consumption is the use of goods and services to satisfy human wants. Economists study consumption patterns to understand consumer behaviour and how people respond to changes in income, prices, and preferences.
    c. Economists analysed the economic effects of lockdowns, unemployment, and declining production. They advised governments on relief measures, public spending, and economic recovery strategies. Their recommendations helped support workers, businesses, and vulnerable groups during the crisis.
69. a. A welfare economy is an economic system in which the government actively promotes the well-being of citizens by providing essential services, reducing inequality, and ensuring access to basic needs such as food, education, healthcare, and housing.
    b. Social safety nets are programmes designed to protect people during hardships such as poverty, unemployment, illness, or old age. Examples include subsidised food, pensions, healthcare schemes, and employment guarantee programmes.
    c. Government intervention helps reduce inequality, provide public goods, and protect vulnerable groups. Without such measures, many people may lack access to education, healthcare, and basic necessities. Welfare policies ensure social justice and improve overall living standards.

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70. a. Inflation refers to a continuous rise in the general level of prices of goods and services in an economy. As prices increase, the purchasing power of money decreases and consumers can buy fewer goods with the same income.
    b. Economists study how individuals, businesses, and governments use limited resources to satisfy unlimited wants. They analyse production, distribution, consumption, inflation, unemployment, poverty, and economic growth to understand how economies function.
    c. Economists collect data, identify trends, and analyse economic problems. Their research helps governments and organisations design policies related to employment, inflation control, welfare programmes, taxation, and development. Their recommendations support informed decision-making and improve economic efficiency and living standards.
71. A Mixed Economy combines features of both Market and Planned systems. It allows the private sector to operate for profit while the government manages essential services (like railways or defense) and regulates the market to prevent monopolies.
    - **Comparison:** Unlike a Market economy, the government can intervene to help the poor. Unlike a Planned economy, individuals have the freedom to start businesses.
    - **India's Choice:** After independence, India chose a mixed economy to achieve rapid industrialization (through private enterprise) while simultaneously ensuring social justice and poverty alleviation (through government planning).
72. The economic principle that quantifies the true cost of making a choice beyond monetary expenditure is opportunity cost. It represents the value of the next best alternative that is forgone when a decision is made. Since resources like time, money, and labour are limited, every choice involves sacrificing another possible option. For example, spending money on education means giving up the opportunity to use that money elsewhere, such as consumption or investment. Opportunity cost helps individuals, firms, and governments evaluate trade-offs and make rational decisions. It ensures that resources are allocated efficiently by considering not just explicit costs, but also the hidden value of alternatives sacrificed.
73. A welfare-oriented economic system prioritizes the well-being of all citizens, particularly the disadvantaged, alongside economic growth, emphasizing social justice and equality. It ensures universal accessibility to basic needs like education, healthcare, and housing, irrespective of financial status, through governmental intervention. In contrast, a purely market-based system relies on supply and demand, potentially leaving some individuals without essential services due to poverty or lack of opportunities. The welfare system actively intervenes to mitigate inequalities and provide essential services, whereas the market system operates with minimal government involvement, often leading to disparities in access and quality of life.
74. The core concept that arises when choosing among several viable alternatives is opportunity cost. It refers to the value of the next best alternative that is sacrificed when a decision is made. In economics, resources are scarce, so every choice involves giving up something else. For example, if land is used to grow wheat instead of vegetables, the benefit from vegetables becomes the opportunity cost. This concept highlights the trade-offs involved in decision-making at individual, firm, and government levels. Understanding opportunity cost helps in making rational and efficient choices, ensuring that scarce resources are used in the most beneficial way possible.
75. A Welfare Economy focuses on the optimal allocation of resources to improve the social well-being of all citizens.
    - **Key Features:** Focus on equity, provision of public goods (parks, education), and government intervention to correct market failures.
    - **Significance:** It ensures that economic growth does not just benefit the rich. By providing healthcare, education, and social security, a welfare economy creates a healthy, skilled workforce, which leads to sustainable long-term development.

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