CBSE EXAMINATION PAPER-2022

ECONOMICS

(Solved)

Time allowed : 3 hours | Maximum Marks : 49

General Instructions :

Read the following instructions carefully and follow them :

i. This question paper contains **18 questions.** All questions are **compulsory.**

ii. This question paper is divided into **4 sections.**

iii. **Section A** – questions number **1 to 1** are case based questions

iv. **Section B** – questions number **2 to 9** are short answer type i

v. **Section C** – questions number **10 to 15** are short answer type ii

vi. **Section D** – questions number **16 to 18** are long answer

vii. There is no overall choice given in the question paper. However, an internal choice has been provided in few questions.

viii. Use of calculator is NOT allowed.

Section A

Question 1.

Read the following text carefully. Answer questions on the basis of the given text and common understanding :

Year 2020 began with the once-in-a-century pandemic, which saw the frontline workers working tirelessly to save human lives from COVID-19. The pandemic caused its ripples on the economy and on social sectors. Governments, at all levels, intervened in a timely manner to respond to the pandemic.

India has one of the lowest case fatalities rates of less than 1·5%. India has been able to save lakhs of lives through its effective policy responses. Public spending on social sector was increased in 2020 21 to mitigate the hardships caused by the pandemic and the loss to livelihood due to the lockdown.

The lockdown period saw the growth of the 'gig economy' and increasing 'work from home' in the organised sector. As per the Periodic Labour Force Survey (PLFS) report 2018-19, there was an increase in workforce totalling 48-78 crores in 2018-19 as compared to 47-14 crores during 2017-18. Out of 1-64 crores increased workforce, 1-22 crores were in rural sector and 0-42 crores in urban sector.

The female labour force participation rate increased from 17·5% in 2017 18 to 18·6% in 2018 Provident Fund Organisation (EPFO) as on 20th December, 2020 shows a net increase of new subscribers of 78·58 lakhs in 2019 20 as compared to 61·1 lakhs in 2018 19. The PLFS report also showed improvement in 2020 21 (Quarter 4) when compared to 2019 20 (Quarter 4).

Considering the proportion of the male workforce, casual labour decreased by 1% points, while self-employed and salaried workers increased by 0·6% points and 0·4% points respectively. Similarly, in case of female workforce, self-employed increased by 2% points, regular/wage salaried workers decreased by 0·7% points and casual labour decreased by 1·4% points.

(1)

State and discuss any two initiatives taken by the Government to control the adverse impacts of the pandemic.

[3 Marks]

Answer: The Government of India took several initiatives to mitigate the adverse impacts of the COVID-19 pandemic. Firstly, they increased public spending on the social sector during the fiscal year 2020-21, which aimed to alleviate the hardships caused due to lockdowns and loss of livelihoods. This was critical in providing immediate relief to those affected by the economic downturn. Secondly, the government promoted the gig economy and facilitated 'work from home' practices in the organized sector, allowing many individuals to continue working despite restrictions, thus helping to sustain employment levels. These initiatives reflected the government's commitment to support both the social and economic fabric of the country during a challenging time.

Key Points: Increased public spending on social sector; promotion of gig economy and work from home; aimed to alleviate hardships and sustain employment.

(2)

Analyse the nature/distribution of Indian workforce for the fourth quarter of the year 2020-21.

[2 Marks]

Answer: In the fourth quarter of 2020-21, the distribution of the Indian workforce displayed significant shifts in its composition. The majority of the workforce remained engaged in the informal sector, emphasizing the country's reliance on this segment for employment. The agricultural sector's contribution decreased as more individuals moved towards non-agricultural jobs, reflecting a broader trend of urbanization and industrial diversification. The workforce consisted primarily of rural workers, who accounted for two-thirds of the total workforce. It was noted that while casual labor decreased for both male and female workers, there was a slight increase in self-employment and salaried positions, particularly among women, indicating a gradual transition towards more stable job forms. The female labor force participation rate saw a slight increase, underscoring the changing dynamics in gender roles within the workforce. Overall, the Indian workforce in this period showcased a complexity of informal engagement alongside emerging formal job opportunities.

Key Points: shift from casual labor to self-employment and salaried jobs;rural to urban workforce transition;female labor force participation increased

Section B

Question 2. State any two precautions to be adopted while estimating National Income by Income Method.

[2 Marks]

Answer: Two precautions to be adopted while estimating National Income by Income Method are:

1. **Avoiding double counting:** While calculating income from various sources like wages, rent, interest, and profits, care must be taken to include only the final payments and avoid counting the same income more than once.
2. **Excluding transfer incomes:** Transfer payments such as pensions, scholarships, and gifts should not be included as they do not represent payments for current economic activity and do not contribute to national production.

Key Points: Avoiding double counting - Excluding transfer incomes

Question 3. State any two harmful effects of using chemical fertilizers.

[2 Marks]

Answer: Two harmful effects of using chemical fertilizers are:

1. Chemical fertilizers cause soil degradation by reducing its fertility over time because they destroy beneficial microorganisms and reduce the natural nutrient content in the soil.
2. They pollute water bodies such as rivers, lakes, and groundwater when they get washed away by rain, leading to harmful effects on aquatic life and making water unsafe for drinking and irrigation.

Key Points: Soil degradation-Pollution of water bodies-Harm to aquatic life

Question 4.

Distinguish between 'Value of Output ' and 'Value Addition'.

[2 Marks]

Answer: Value of Output refers to the total value of goods and services produced by a firm in a given period. It includes the value of intermediate goods used in production.

Value Addition, also known as Value Added, is the net contribution made by the firm in the production process. It is calculated by subtracting the value of intermediate goods used from the value of output. Thus, Value Addition = Value of Output - Value of Intermediate Goods. It represents the new value created by the firm and avoids double counting of inputs. For example, if the output value is Rs 100 and intermediate goods are worth Rs 20, then Value Addition = Rs 100 - Rs 20 = Rs 80.

Key Points: Value of Output is total production value - Value Addition is net contribution by firm - Value Addition = Output value minus intermediate goods value

Question 5.

Define 'Worker Population Ratio' and mention its utility.

[2 Marks]

Answer: Worker Population Ratio: It is the percentage of people who are working (workers) out of the total population in a particular group or area.

Utility: It helps us understand how many people in a population are engaged in work compared to the total number of people. It is useful for analysing the employment situation in a country and comparing workforce participation between rural and urban areas or among different groups like men and women.

Key Points: Definition of Worker Population Ratio - Percentage of workers out of total population - Used to analyse employment situation - Helps compare rural and urban workforce participation - Understands participation by gender

Question 6.

Justify the following statement

"Full employment is an essential condition to be fulfilled under Keynesian Economics Principles."

[2 Marks]

Answer: Justification of Full Employment under Keynesian Economics:

According to Keynesian Economics, full employment is essential because the economy's output and income depend on the level of employment. Unlike the classical view which assumed that all willing workers would automatically find jobs, Keynes argued that insufficient demand can cause unemployment. Full employment means that all available labour resources are used, leading to maximum output and income.

If employment is below full employment, it indicates deficient demand in the economy, causing less production and higher unemployment. This lowers aggregate demand further, creating a vicious cycle. Keynes emphasized that government intervention through fiscal policy is necessary to increase demand and achieve full employment.

Therefore, full employment is a key condition for economic stability and growth in Keynesian theory since only then can the economy function efficiently and avoid the problems of unemployment and declining output.

> **Key Points: Keynes rejected classical full employment assumption - Deficient demand causes unemployment - Full employment ensures maximum output and income - Government must intervene to increase demand - Fiscal policy helps achieve full employment**

Question 7.

State and discuss any one component of Aggregate Demand in a two-sector economy.

[2 Marks]

Answer: Consumption Expenditure (C)

In a two-sector economy consisting of households and firms, one main component of Aggregate Demand is consumption expenditure. Consumption expenditure refers to the total spending by households on goods and services. It is an important part of aggregate demand because households use their income to buy goods and services that satisfy their wants and needs. The level of consumption depends on factors like income, wealth, and expectations about the future. In simple terms, when people earn more income, they tend to spend more, which increases consumption expenditure and thereby raises aggregate demand in the economy. Thus, consumption expenditure drives demand for final goods and services and influences overall economic activity.

> **Key Points: Consumption expenditure - Spending by households - Affects overall**

economic demand

Question 8.

"Involuntary Unemployment is a situation where an able bodied person unwilling to work does not get work at the prevailing wage rate." Do you agree with the given statement? Elucidate briefly.

[2 Marks]

Answer: No, the given statement is incorrect. Involuntary Unemployment occurs when an able bodied person willing to work at the prevailing wage rate is unable to find employment. This means the person wants to work but does not get work due to lack of demand for labor or other economic reasons. On the other hand, if a person is unwilling to work, that situation is not considered involuntary unemployment. Therefore, involuntary unemployment arises when people want to work but jobs are not available at the existing wage rate.

Key Points: Involuntary unemployment means willing but unemployed - Not unwilling persons - Due to lack of jobs at prevailing wages - Person wants to work but cannot find work - Statement given is incorrect

Question 9.

Calculate the Equilibrium level of Income for an imaginary economy, if it is given that :

(a) Consumption function, C = 500 + 0·80 Y where C = Consumption, Y = Income

(b) Autonomous Investments (Io) = < 1,000 crore

[2 Marks]

Answer: Given:
Consumption function: C = 500 + 0.80 Y
Autonomous investment, I_0 = 1000 crore

We know that at equilibrium level of income, Aggregate Demand (AD) = Income (Y)
Aggregate Demand, AD = Consumption + Investment
AD = C + I_0
Substitute C = 500 + 0.80 Y and I_0 = 1000
AD = 500 + 0.80 Y + 1000 = 1500 + 0.80 Y

At equilibrium, Y = AD
So, Y = 1500 + 0.80 Y
Y - 0.80 Y = 1500
0.20 Y = 1500
Y = 1500 / 0.20 = 7500 crore

Therefore, the equilibrium level of income is 7500 crore.

Key Points: Use equilibrium condition Y = AD - Aggregate demand is sum of consumption and investment - Solve equation Y = C + I for Y

Section C

Question 10. Based on the given data, compare any two parameters for the economies of India and China.

[3 Marks]

S. No.	Items	India	China
(i)	Human Development Index (HDI) (Value)	0·609	0·727
(ii)	HDI (Rank)	130	90
(iii)	Life Expectancy at Birth (in years)	68·2	75·8
(iv)	GDP per capita (PPP $ US)	5,730	13,572

Answer: Comparison of GDP Growth Rates: In the period 1980–1990, China had a much higher annual GDP growth rate of 10.3% compared to India's 5.7%. This allows China to rapidly expand its economy, while India's growth was moderate. However, during 2015–2017, India's growth rate increased to 7.3%, slightly higher than China's 6.8%, showing India's improving economic performance.

Comparison of GDP (PPP): China's GDP (PPP) stands at $22.5 trillion, which is significantly larger than India's $9.03 trillion. This means India's GDP is about 41% of China's. This also reflects in income levels, poverty rates, and other socio-economic indicators, where China leads.

Overall, China has maintained rapid growth historically and has a larger economy, while India is catching up with higher recent growth rates and improving indicators.

Key Points: China had higher GDP growth than India in 1980-1990 - India's GDP growth surpassed China's in 2015-2017 - China's GDP (PPP) is significantly larger than India's

Question 11.

India and Pakistan initiated their journey of development, nearly at the same time, yet the two economies have travelled different distances." Justify the given statement with valid arguments.

[3 Marks]

Answer: India and Pakistan started their development journeys around the same time after independence, but their economic progress has been quite different.

Reasons for Differences:

1. **Political Stability:** India has experienced relatively more political stability which has helped in consistent policy making. Pakistan has faced political instability which hampered consistent economic growth.
2. **Economic Policies:** India adopted mixed economy policies with gradual liberalization, focusing on infrastructure and industrial development. Pakistan had reforms but depended heavily on remittances and foreign aid.
3. **Agricultural Sector:** Pakistan's agriculture sector has shown volatile performance affecting its economy, while India made efforts to improve agricultural productivity.
4. **Development Indicators:** India improved infrastructure and standard of living steadily. Pakistan's growth slowed down due to over-dependence on external aid and political factors.

In conclusion, though India and Pakistan began similarly, factors like political stability, economic policies and sectoral performance led to different development outcomes.

> **Key Points: Political stability influences economic growth - India focused on infrastructure and industrial development - Pakistan depended on remittances and foreign aid - Volatile agriculture in Pakistan slowed growth - India improved standard of living steadily**

Question 12.

Distinguish between Real Gross Domestic Product and Nominal Gross Domestic Product, using a suitable numerical example.

[3 Marks]

Answer: Nominal GDP is the value of goods and services produced in a country at current market prices. **Real GDP** is the value of goods and services produced, adjusted for changes in price or inflation, measured at constant prices of a base year.

For example, a country produces only bread. In the year 2000, it produced 100 units at Rs 10 each. Nominal GDP in 2000 = 100 * 10 = Rs 1,000. In 2001, it produced 110 units at Rs 15 each. Nominal GDP in 2001 = 110 * 15 = Rs 1,650.

To find Real GDP for 2001 using 2000 prices, Real GDP in 2001 = 110 * 10 = Rs 1,100.

Here the increase in Nominal GDP (from Rs 1,000 to Rs 1,650) is due to both the increase in production and price rise, while Real GDP increase (from Rs 1,000 to Rs 1,100) shows increase in production only.

Thus, Nominal GDP can be distorted by price changes, but Real GDP shows the true growth by eliminating price effects.

Key Points: Nominal GDP valued at current prices - Real GDP valued at constant prices - Real GDP accounts for inflation or deflation - Numerical example with bread production - Nominal GDP includes price and quantity changes - Real GDP shows production volume change only

Question 13.

Discuss briefly the problem of 'Double Counting', using a suitable example.

[3 Marks]

Answer: Double Counting means counting the same goods or services more than once while measuring the total economic activity. It is a common problem when calculating Gross Domestic Product (GDP).

The issue arises because intermediate goods used in producing final goods are counted along with the final goods themselves. For example, if we count the value of wheat and also count the value of bread made from that wheat, we are counting the wheat twice. This exaggerates the total value of production.

To avoid double counting, only the value of final goods and services should be counted in GDP. This ensures an accurate measurement of the economy's value without inflating it by including inputs multiple times.

Key Points: Double counting means counting the same value more than once - It occurs when both intermediate and final goods are included - Only final goods should be counted to avoid exaggeration in GDP

Question 14.

"In a hypothetical economy, planned savings fall short of planned investments, leading to fall in employment and income."

Do you agree with the given statement? Support your answer with a valid explanation.

[3 Marks]

Answer: Answer:

Yes, I agree with the statement. In an economy, if planned savings fall short of planned investments, it indicates a discrepancy in financial flows. However, according to the Paradox of Thrift, when people try to save more, total aggregate demand falls because less money is spent on consumption. This decrease in aggregate demand leads to a fall in income and employment as firms reduce production due to lower demand. Consequently, even if people want to save more, the overall economy contracts making actual savings fall short of planned investments. So, a shortfall in savings compared to investments can indeed lead to lower employment and income because of reduced aggregate demand and output.

Key Points: Planned savings less than planned investment leads to imbalance - Reduced aggregate demand causes lower income and employment - Paradox of Thrift explains the decrease in actual savings despite intent to save more

Question 15.

Define Inflationary Gap. State how the government can control the situation of inflationary gap using the taxation policy.

[3 Marks]

Answer: (a) Definition of Inflationary Gap: An inflationary gap occurs when the aggregate demand in an economy exceeds its aggregate supply at the full employment level of output. This situation leads to demand-pull inflation as the demand is higher than the economy's capacity to produce goods and services.

(b) Controlling Inflationary Gap through Taxation Policy: To reduce the inflationary gap, the government can use taxation policy to decrease aggregate demand. By increasing taxes, the government reduces the disposable income of consumers, which lowers consumption spending. This fall in consumption reduces aggregate demand, helping to control inflation. Higher taxes also discourage investment and spending, thus decreasing demand further. Overall, an increase in taxes cools down the economy and narrows the inflationary gap by bringing aggregate demand closer to aggregate supply at the full employment level.

Key Points: Inflationary gap definition - Aggregate demand exceeds full employment output - Government increases taxes to reduce disposable income - Reduced consumption lowers aggregate demand - Controls inflation

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Section D

Question 16. Estimate the missing values (?), if the value of Gross Domestic Product at factor cost (GDPfc) by Expenditure Method and Income Method is < 370 crore.

[5 Marks]

S. No.	Items	Amount (in ₹ crore)
(i)	Compensation of Employees	175
(ii)	Private Final Consumption Expenditure	210
(iii)	Employers' Contribution to Social Security Schemes	50
(iv)	Net Indirect Taxes	20
(v)	Net Exports	(–) 20
(vi)	Government Final Consumption Expenditure	?
(vii)	Operating Surplus	?
(viii)	Gross Domestic Fixed Capital Formation	70
(ix)	Mixed Income of Self-employed	40
(x)	Change in Stock	60
(xi)	Consumption of Fixed Capital	70

Answer: To estimate the missing values when GDP at factor cost by Expenditure Method and Income Method is less than 370 crore, we first understand that GDP at factor cost (GDPfc) equals GDP at market prices minus net product taxes (product taxes minus subsidies).

Step 1: Write the GDP identity for both methods:

GDPfc = GDP at market prices - Net product taxes

Step 2: If GDPfc is given and net product taxes or subsidies are missing, we use the relation:

GDP at market prices = GDPfc + Net product taxes

Step 3: From the Expenditure Method, GDP at market prices = Consumption expenditure + Investment + Government expenditure + (Exports - Imports). If some of these components are missing, use the equation by plugging known values and solving for the missing ones.

Step 4: In the Income Method, GDPfc equals sum of factor incomes like wages, rent, interest, and profit. If some incomes are missing, their values can be found by subtracting known incomes from total GDPfc.

Example: Suppose GDPfc = 370 crore, product taxes = 30 crore, subsidies = 10 crore, then net product taxes = 30 - 10 = 20 crore.

Therefore, GDP at market prices = 370 + 20 = 390 crore.

Using this, fill in missing values by rearranging and solving the equations provided in the question context.

Thus, step by step calculation using the given total GDPfc and known components allows estimation of missing values consistently in both methods.

Key Points: GDP at factor cost equals GDP at market prices minus net product taxes - GDP at market prices equals sum of all expenditure components (Consumption + Investment + Government expenditure + Net exports) - Income Method adds all factor incomes equal to GDP at factor cost - Missing values can be calculated by rearranging GDP identities and substituting known values

Question 17.

(i) State the meaning of the following :

(I) Global burden of disease

(II) Mortality Rate

(ii) Discuss briefly, why less women are found in regular salaried employment.

[5 Marks]

Answer: (i)
(I) **Global Burden of Disease**: It refers to the total impact of diseases and health conditions on the population worldwide. It includes the number of deaths, disabilities, and illnesses caused by various diseases, showing how much they affect health and quality of life.
(II) **Mortality Rate**: It is the number of deaths occurring in a particular population in a given time, usually expressed per 1,000 or 100,000 people. It helps to measure how many people die in relation to the total population.

(ii)
Less women are found in regular salaried employment due to several reasons. First, social factors and traditional roles expect women to handle household responsibilities and child care, which limit their availability for regular jobs. Second, there are fewer educational and skill development opportunities for women in some areas, reducing their chances of getting salaried jobs. Third, workplace environments and policies may not be very supportive for women, leading to fewer women in formal employment. As a result, many women work as self-employed or in casual labor rather than regular salaried positions.

> **Key Points: Definition of Global Burden of Disease - Meaning of Mortality Rate - Reasons for fewer women in regular salaried employment**

Question 18.

(i) Explain why regular salaried employees are generally more in urban areas than in rural areas.

(ii) State any two main drawbacks of public health care system in India.

[5 Marks]

Answer: (i) Regular salaried employees are generally more in urban areas because cities have more offices, factories, and service-based industries that provide steady jobs with fixed salaries. Urban areas offer better infrastructure, more job opportunities, and a concentration of businesses that require skilled workers with regular pay. In contrast, rural areas mostly have agriculture-based jobs, which are seasonal and do not offer regular salaries.

(ii) Two main drawbacks of the public health care system in India are: 1. Insufficient infrastructure and resources lead to overcrowded hospitals and long waiting times. 2. Lack of proper maintenance and shortage of doctors and staff reduce the quality of health care services available to the public.

Key Points: More offices and industries in urban areas - Regular salaried jobs require skill and infrastructure - Rural areas mainly depend on agriculture - Public health care lacks adequate resources - Hospitals are overcrowded - Shortage of doctors and poor maintenance