

FOCUS ACADEMY.

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Tuition Classes for primary, 9 to 12, English & Gujarati Medium.

CLASS-11

ECONOMICS

CHAPTER 11 Economics Economic Thoughts

1. Choose correct option for the following from the options provided :

Question 1. During the great depression, economic thoughts on expenditure, income ' and employment were given by:

- (A) Prof. Adam Smith
- (B) Prof. Marshall
- (C) Prof. Keynes
- (D) Prof. Robbins

Answer: (C) Prof. Keynes

Question 2. Which is the leading work on Economics in India?

- (A) Manusmriti
- (B) Kautilya's Arthshashtra
- (C) Shukra-niti
- (D) Ramayan

Answer: (B) Kautilya's Arthshashtra

Question 3. How many sources of income of the state did Kautilya show?

- (A) 7
- (B) 5
- (C) 9
- (D) 8

Answer: (A) 7

Question 4. Who is the author of the book "Unto the last"?

- (A) Thoreau
- (B) Ruskin
- (C) Tolstoy
- (D) Gandhiji

Answer: (B) Ruskin.

Question 5. Who gave the theory of Trusteeship?

- (A) Kautilya
- (B) Pandit Deendayal
- (C) Gandhiji
- (D) Keynes

Answer: (C) Gandhiji

Question 6. Which was the theory given by Pandit Deendayal with reference to Labour Oriented Production method?

- (A) Work for everyone
- (B) Food for everyone
- (C) Rest for everyone
- (D) House for everyone

Answer: (A) Work for everyone

Question 7. Who was the patron of 'Integral Humanism'?

- (A) Gandhiji
- (B) Pandit Deendayal
- (C) Kautilya
- (D) Prof. Marshall

Answer: (B) Pandit Deendayal

2. Answer the following questions in one sentence :

Question 1. Which Indian literature refers to the thoughts related to Economics?

Answer: 'Shantiparva' in 'Mahabharat', In 'Manusmriti', 'Shukra-niti', 'Kamandikiya', Arthshashtra, etc.

Question 2. Who compiled and published the whole 'Kautilya's Arthshastra'? And when?

Answer: Pandit Shyam Shashtri obtained the 15 volumes of Arthshashtra from oriental library of the king of Mysore. He then compiled it in 1909 and published whole Arthshashtra of Kautilya.

Question 3. Define : 'Arthshashtra' according to Kautilya.

Answer: "The intention of a human being is 'arth'. Also, the piece of land with human settlement is called 'arth'. So, the science that gives solutions related to maintenance of land and attaining benefits from land is Arthshashtra.

Question 4. Define : External charges according to Kautilya.

Answer: According to Kautilya, external charges are taxes for goods produced in a country.

Question 5. Which thoughts of Thoreau did Gandhiji implement?

Answer: Gandhiji adopted the idea of 'simple living and high thinking' from Thoreau's works.

Question 6. Define : Gandhiji's ideas on Sarvodaya.

Answer: Through Sarvodaya, Gandhiji had a vision of a non-violent society in which the helpless, poor and needy are uplifted to a state of wellbeing. Thus, 'Sarvodaya' aims at social development. The ideas of renunciation, service, reducing dependence on machinery, protection of labour, decentralization of power and prevention of exploitation.

Question 7. Which is the third option suggested by Pandit Deendayal as a solution to the economic problems in India?

Answer: Capitalism and socialism are the two practical systems followed by the world for achieving economic goals. Pandit Deendayal presented a third option or say a third system that a nation can follow. Pandit Deendayal suggested the system of 'an integral economic policy' which is based on 'integral humanism' as a third option to overcome difficulties caused due to capitalism and socialism.

Question 8. According to Pandit Deendayal, which method is more applicable for production in India.

Answer: Pandit Deendayal suggested that the state should decentralize its power by allowing people to decide how much to produce, distribute and consume. The producer of commodities will only have control over production and distribution so that he can prevent wasteful consumption.

3. Answer the following questions in short :

Question 2. According to Kautilya, how should a city be developed?

Answer:

- Through the thoughts expressed in 'arthshashtra' it is quite clear that Kautilya's ways and thoughts were inspired by economic problems and political concerns.
- He tried to incorporate even the minutest details in building a progressive and modern state.
- He gave theories which have universal acceptability and are applicable even in present times.
- Even though he served the Magadh state and created 'Arthshashtra' for Magadh, and for Emperor Chandragupta Maurya, he wished that his work on economics could be of use to

those kings who desired timeless victories and a proper management of the state.

- Moreover, Kautilya opposed tax evasion and hiding assets from the state.

Question 3. Explain : There is nothing like 'Gandhism'.

Answer: Gandhism:

- Gandhiji's way of life was based on ethics. Hence, he accepted ethical science as the base of the science of politics and economics.
- Gandhiji's simple way of life in social, economic and political terms is popularly known as 'Gandhism'.
- However, unlike other economists Gandhiji did not give a specific ideology or principles of economics. Also, he did not classify his ideology into any 'specific categories.
- He neither wanted to promote 'Gandhism' nor wished to have his own followers.
- He did not claim that he had discovered any new theory or ideology. He simply tried to apply the eternal truths as solutions to life's routine problems.
- Based on these facts, Gandhism has become a part of economic thought process.

Question 4. Briefly introduce : Pandit Deendayal.

Answer: Pandit Deendayal Upadhyay:

- Pandit Der dayal was born on 25th September, 1916. He had a simple yet gentle personality and sparkling eyes.
- He was a profound philosopher, an integral humanist a scholar in politics and economics yet he lived a simple life.
- During his life of just 52 years, Pandit Deendayal worked for the development of the country by involving people from the lowest strata considering the economic condition of those times.
- He presented his ideas on philosophy, economics, sociology and literature. His scholarly skills earned him a name in the areas of social organization, journalism and politics.

Some of his works include:

- Rashtra Jivan Ki Samasyayen
- Devaluation: A Great Fall
- Political Diary
- Rashtra Chintan
- Integral Humanism

- Rashtra Jivan Ki Disha
- Bharatiya Arthniti: Vikas Ki Disha
- Akhand Bharat Kyon?

4. Answer the following questions in brief points :

Question 1. Which factors should be kept in mind while establishing the statehood?

Answer: Kautilya laid the following guidelines to be followed by the kings and rulers while establishing a state:

- The king should provide basic resources for development of the state. He should make continuous efforts for the development of agriculture and industry.
- He should excavate mines, develop forestry, cattle rearing and markets.
- The king should also open avenues for import-export trade.
- The king should undertake tasks of constructing water reservoirs for farming, temples and 'dharamshalas' (guesthouses).
- Teachers, priests and soldiers must be exempted from taxes.
- The king should take care of the helpless farmers during natural calamities.

Question 2. Explain : Gandhiji was an advocate for simplicity and non-possessiveness.

Answer: Man's greed and race for increasing his material possessions by ignoring all the ethics leads to the problems of economic life.

- Hence, Gandhiji propagated the idea of 'non-possession' and 'consume to satisfy the needs not the greed'.
- To practice what he preached, Gandhiji followed the principle of 'simple living and high thinking' his entire life.
- To explain the relationship between wants and welfare, Gandhiji stated that welfare increases when wants are limited. So he believed real happiness lies in simple living.

Question 3. Explain : According to Pandit Deendayal limited consumptions the solution to major economic problems.

Answer:

- Pandit Deendayal proposed that a country should frame a policy to limit the national consumption and hence make itself self-reliant.
- Not only developing but even developed nations face problems related to insufficient raw materials, increasing crude prices, inflation, race for armament, product quality as well as increasing national stress and environmental issues.

- These countries by limiting their consumption can resolve many of these problems.
- Moreover in countries like India, the standard of living of many people is quite low.
- Pandit Deendayal believed that if such countries limit their consumption and distribute the production properly then the production could reach more people and hence the standard of living can be improved.
- Thus, limited consumption can bring solution to major economic problems.

Question 4. Describe : The opinion of Pandit Deendayal related to 'Ownership of assets'.

Answer: Ownership of assets:

- In a capitalist system, the wealth i.e. property or assets are privately owned without state control. On the other hand, the socialist system believes that wealth or property owned by private individuals is the cause of all the economic problems. Hence, in socialist system the wealth is owned by the state and not private individuals.
- As per Pandit Deendayal, it is not right for the state to completely take over the ownership of wealth from private owners. Doing so, the individuals will lose their willingness to work. Moreover, they would also lose their dignity of entrepreneurship, economic safety and hence will remain dissatisfied.
- He suggests that people must be allowed to own private wealth but, limits must be set on holding it. Such limits must be determined on the basis of human values.
- The state should decide such a limit on holding private property which . does not makes one feel deprived of his wealth. Failing to do so can lead to destruction of human beings.
- He believed that if there is no control of the state on the amount of wealth an individual can possess and if the individual uses his wealth as and way he wishes to than it would destroy the ethical and intellectual character of the society. To overcome this he suggests a lawful method for social governance and absolute decentralization of power in setting such limits.

5. Answer the following questions in detail :

Question 1. Explain Kautilya's thoughts on State treasury and Taxation policy.

Answer: (A) Kautilya's thoughts about state treasury:

As per Kautilya, the state treasury plays a very important role for maintaining prosperity and safety of the state. The unity, stability and administration of

the state are directly dependent on the state treasury. He said there are seven sources of income for the state.

They are:

1. Towns
2. Villages
3. Irrigation
4. Mines
5. Forest
6. Animal husbandry and
7. Trade and Commerce.

Kautilya provided following guidance to the kings for growth and maintenance of treasury:

- The king should guard his treasury and always develop new means to increase it.
- The king should collect taxes once in a year.
- The king should not use forceful methods to increase the treasury.
- The king should be gentle while collecting taxes from regions facing famine and drought.
- The king should use public property, promote trade and use gifts, penalties, fines and rewards, production of cash crops, etc. for increasing the state treasury.
- The state treasury mainly consists of physical (tangible) goods and therefore it is necessary to preserve such goods in proper warehouses and use them for public welfare as and when required.
- Kautilya also specified the rates of taxes for various categories of workers. For example, he suggested, to collect 1 /4th of the agricultural production as tax from individual farmers. He also suggested to collect one-half of the produce of individual manufacturers of cotton, wool, silk, wax and medicines as taxes.
- Even today, Kautilya's thoughts of a welfare state are used by a state for its people.

(B) Kautilya's thoughts about taxation policy:

- Kautilya gave clear principles of taxation that a state should follow. These principles include short term and long term tax policies, tax limits and tax rates that a king may impose.
- He also gave provisions for increasing tax rates during emergencies.

- As per Kautilya, the king should collect taxes from citizens as ripened fruits are collected from orchards while keeping in mind the economic ability of citizens to pay taxes.
- His taxation policy was such that it made the taxation process simple and less expensive.

Kautilya suggested the following types of taxes in the tax structure:

1. Land tax:

- Kautilya had framed rules to decide the proportion of taxes. He framed these rules on the basis of the type of land, its productivity, type of product produced, availability of irrigation facility and irrigation type.
- He also proposed tax exemptions as an incentive to increase productivity.

2. Import-export taxes:

Kautilya classified import-export taxes as follows:

- (a) External charges (taxes): For goods produced in the country.
- (b) Internal charges (taxes): For goods produced in the state or the capital.
- (c) 'Aatithya' charges (taxes): For goods imported from foreign regions or states.

- Kautilya gave rules for putting taxes on various commodities on the basis of type of goods and their importance in economic life.
- He also proposed setting up booths for collecting customs and octroi.
- He also proposed rules for road tax and wealth tax.

Question 2. Explain Kautilya's thoughts on Agriculture and Animal Husbandry.

Answer: Kautilya's thoughts on agriculture:

- Kautilya considered agriculture as the primary means of livelihood.
- He classified land in two types:
 1. Land under state ownership and
 2. Land under ownership of private individuals.
- He suggested that the state instead of putting the slaves and prisoners behind the bars should use them to till the land owned by the state.
- He believed that land should be used mainly for agricultural purpose and hence the uncultivable land should be made cultivable.

- The king should collect taxes from the farmers only if they cultivate their own land to earn livelihood.

Kautilya's thoughts on animal husbandry:

- Since, animal husbandry is also related to agriculture, it is also a means of livelihood. Hence, it should also be developed.
- In this regard, Kautilya divided animals in three categories namely
 1. Trained/pet animals
 2. Dairy animals and
 3. Wild animals.
- Kautilya also suggested rules and penalties related to animal husbandry.

Question 3. Explain Gandhiji's thoughts related to use of machinery.

Answer: Gandhiji's thoughts related to use of machinery:

- According to Gandhiji the 'Era of Machines' was called so because machines dominated the production during that era.
- Some critics considered him as a person who opposes machines however, he was not against the machines but against inappropriate use of machines.
- He was against the thoughtless use of machines which replaced human labour and made labourers unemployed.

Gandhiji's views regarding use of machines:

(A) Gandhiji recommended that such basic and simple machines should be used which could be owned and used by poor producers.

(B) According to him, those machines which facilitate the work of labour must be employed but those which replace labour and make labourers unemployed should not be used widely.

(C) Gandhiji did not oppose machines which were used for welfare of the poor.

(D) Machinery which reduce physical labour and saves time and funds should be widely employed. But at the same time he asked the society to beware against the use of machines which enhanced profits of a single individual or few individuals. As per him machines must be used for benefitting the society as a whole.

(E) He was against the use of machines which led to concentration of economic / power in the hands of a few people. He believed such machines become a means of exploitation of the poor by a few profit motivated rich

people.

He asserted that machines are for human beings and human beings are not for machines and hence machines must not be used so widely that human beings become highly dependent on machines.

Question 4. Explain the Theory of Trusteeship given by Gandhiji.

Answer: Gandhiji's doctrine of trusteeship:

- Trusteeship is a socio-economic philosophy that was put forward by Gandhiji. This philosophy provides a means by which the wealthy people would be the trustees of trusts that looked after the welfare of the people in general. He gave this principle by taking inspiration from the 'Bhagwad Gita' and the 'Ishopanishad'.
- As per the ishopanishad, 'All that is created on the earth is because of God and hence we must relish it after surrendering it'.
- Through the doctrine of trusteeship, Gandhiji says that if a person has inherited and accumulated large amount of wealth he should form a trust of excess wealth and use it for the betterment of the deprived.
- He also said that a person requires only as much wealth as is necessary for a dignified living and that the excess wealth belongs to the society.
- The owners of wealth and capitalists can voluntarily act as trustees of their wealth. These trustees should be allowed to maintain their possessions. Then the trustees should use their talent to increase the wealth, not for their own sake but for the sake of the nation that too without exploitation.

Important aspects of Gandhiji's doctrine of trusteeship:

1. Convincing the rich (Change of heart):

- Gandhiji was a worshipper of truth and non-violence. He advocated that a person needs to voluntarily follow the principle of trusteeship i.e. not by force or unwillingness.
- The philosophy of trusteeship was Mahatma Gandhi's unique contribution as a tool to social change. He called it 'the technique of change of heart'.
- He did not consider it appropriate to seize the wealth of rich or collect it by imposing high taxes on the rich and then redistributing it.
- Trusteeship to him meant – 'Being responsible for one's life, as well as for the life of the neighbour'. The rich can accumulate wealth because of resources obtained from the society and

because some people remain poor. Hence the excess wealth of the rich must be used for benefitting the poor by forming a trust. Then the rich should themselves undertake activities for the welfare of the poor.

2. Duty instead of right: As per Gandhiji the rich should feel the responsibility of using the excess wealth for benefits of the society rather than just maintaining their right over wealth.

3. Awareness, referendum and social change:

- Trusteeship is a source of revolution or radical social change.
- One cannot enforce it. One should take it up voluntarily for bringing the social change.
- Gandhiji did not promote the idea of very high taxes and forceful seizure of wealth of the rich.
- He believed that a public opinion can be built for bringing about a social change

4. Importance of the interest of the whole society:

- Gandhiji believed in working for the greater good. He believed that it was good that a large number of people get the benefit of welfare instead of few individuals.
- Hence, Gandhiji emphasized on large scale production of goods which could fulfill the necessity of the large population.

5. Compensation to the trustee:

Gandhiji believed that the state should have provision to compensate the trustees for their service.

6. Opposition to nationalization:

- Nationalization refers to transferring ownership of resources owned by private individuals to the state.
- Gandhiji opposed the idea of nationalization of resources for production and abolishing the property rights owned by the private individuals for bringing economic equality in the state.
- He believed such nationalization would decrease the morals and ethics of people and turn them against the state.
- Gandhiji opined that he would allow rich capitalists and landlords to retain the ownership of their possessions but would convince them to become trustees and use their wealth for good of the society.

7. Appointing the successor:

- Gandhiji's idea of trusteeship aimed at appointing a successor to the wealth of the trust.
- According to him, the legal owners of wealth should become the official trustees. The trust should not be entrusted to the society or the state.
- The actual owner should act as a representative of the society. This way the society will own the resources indirectly.
- The current trustee can name the successor who would be the trustee after her/his death. The new trustee would also be a representative of the assets of the trust and not the owner of the assets. The state must monitor the functioning of the trust.
- The state or society cannot seize the property of the trust. The successor should be appointed through a legal procedure.

8. State control:

- When the owners do not form a trust of their wealth voluntarily, the state under certain cases can direct the use of private wealth with minimum force or violence.
- Gandhiji suggested this only for some forms of wealth and not for all types of wealth. This can be done after evaluating the ways in which wealth was accumulated.
- The state can take control of some types of private property after providing adequate compensation to the owner.
- In the context of principle of trusteeship, Gandhiji stated three forms of ownership. They are:
 1. Ownership with the private sector
 2. Formation of a trust
 3. Ownership with the public sector.
- Gandhiji also expressed his thoughts regarding, 'Swadeshi movement', co-operation, importance to small, cottage and village industries, equality, dignity of women, etc.
- His thoughts focused on welfare and humanism.
- Modern day economists take reference from Gandhiji's views from time to time to provide a new direction to the world.
- One can also find solutions to the problems of poverty, unemployment, inequality, concentration of economic power, etc. in principles given by Gandhiji.

Question 5. Describe the objectives suggested by Pandit Deendayal for Indian economy.

Answer: Objectives of Indian Economy According to Pandit Deendayal Upadhyay:

- As per Pandit Deendayal, capitalism and socialism have failed to solve the problems of human beings.
- Hence according to Pandit Deendayal, India should neither follow capitalism nor socialism.
- He stated that India needs progress and happiness of her people.

With respect to the above mentioned issues, Pandit Deendayal gave the following objectives that Indian economy should adopt:

1. India should ensure a minimum standard of living to all.
2. Security of the nation must be an important goal.
3. India should make effort to progress gradually. To do so it should develop new methods that helps her to contribute in world development.
4. In order to attain the goal of development, all the young and able people should get the opportunity to work.
5. Natural resources must be used judiciously.
6. India should adopt such production processes which are in accordance with the factors of production.
7. Human beings must not be neglected in economic planning. In fact economic planning must take into consideration the social, cultural and other values of human life.

India should adopt a practical approach to decide whether the ownership should be given to the state or private individuals or to organizations in various sectors.

- Pandit Deendayal also suggested ways for developing agriculture, industry, marketing, rural economics and 'concept of swadeshi'.
- Many states have implemented schemes based on his ideology.
- On 16 October, 2014 India launched 'Shramave Jayate' plan which was based on Pandit Deendayal's theory of importance of labour and employment to all.
- In the honour of Pandit Deendayal India also launched 'Deendayal Upadhyay Gram Jyoti Yojana' for the development of agro and rural industries.
- Till date solutions of various economic problems can be found in Pandit Deendayal's economic thoughts.