Daily Subject wise Quiz Day 108 Indian Economy XI (Online Prelims Test)

1) Consider the following statements with respect to Phillips Curve

1. It shows the relationship between economic growth and inequality.
2. It claims that with economic growth comes inflation which in turn should result in more jobs and less unemployment.

Which of the above statements is/are incorrect?

a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2

Answer : a

Phillips Curve

- According to the Phillips curve as the Inflation rate increases, they show the relationship between economic growth and inequality rate of Unemployment decreases which means there is an inverse relationship between the Unemployment rate and inflation rate.
- The theory claims that with economic growth comes inflation which in turn should result in more jobs and less unemployment.
- Kuznets Curve - It shows the relationship between economic growth and inequality.
- Laffer Curve - The Laffer Curve is a theory that states lower tax rates boost economic growth.

2) Which of the following statements is/are correct about Absolute poverty

1. It is a condition where household income is below a necessary level to maintain basic living standards (food, shelter, housing).
2. This condition makes it possible to compare between different countries and also over time.

Select the correct answers using the codes given below

a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2

Answer : c

Absolute poverty

- Poverty is a pronounced deprivation in well-being and comprises many dimensions.
- It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity.

- There are two main classifications of poverty: Absolute vs Relative Poverty
- Absolute poverty is a condition where household income is below a necessary level to maintain basic living standards (food, shelter, housing).
- This condition makes it possible to compare between different countries and also over time
- Relative poverty is a condition where household income is a certain percentage below-median incomes.
- Relative poverty is useful for showing the percentage of the population who have been relatively left behind.

3) Consider the following statements with respect to Poverty

1. A poor household is defined as one with an expenditure level below a specific poverty line.
2. Alagh Committee determined a poverty line based on a minimum daily requirement of calories.

Which of the above statements is/are correct?

a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2

Answer : c

Poverty

- A poor household is defined as one with an expenditure level below a specific poverty line.
- The incidence of poverty is measured by the poverty ratio, which is the ratio of the number of poor to the total population expressed as a percentage, It is also known as head-count ratio.
- Alagh Committee (1979) determined a poverty line based on a minimum daily requirement of 2400 and 2100 calories for an adult in Rural and Urban area respectively.
- As per the Rangarajan committee report (2014), the poverty line is estimated as Monthly Per Capita Expenditure of Rs. 1407 in urban areas and Rs. 972 in rural areas.

4) Which of the following statements is/are correct about Recession

1. It is a period of temporary economic decline generally identified by a fall in GDP in two successive quarters.
2. Recessions are visible in industrial production, employment, real income, and wholesale retail trade.

Select the correct answers using the codes given below

a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2

Answer : c

Recession

- A recession is a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters.
- A recession just needs to be a contraction of the economy, featuring shrinking production and consumption, higher unemployment, and (sometimes) lower price levels.
- Recessions are visible in industrial production, employment, real income, and wholesale retail

trade.

5) Which of the following statements is/are correct about Gini coefficient

1. It is a measure of the distribution of income across a population, it ranges from 0 to 1.
2. It is usually defined mathematically based on the Laffer Curve, which plots the proportion of the total income of the population.

Select the correct answers using the codes given below

a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2

Answer : a

Gini coefficient

- It is often used as a gauge of economic inequality (income), measuring income distribution or, less commonly, wealth distribution among a population. The coefficient ranges from 0 (or 0%) to 1 (or 100%).
- A coefficient of zero indicates a perfectly equal distribution of income or wealth within a population.
- A coefficient of one represents a perfect inequality when one person in a population receives all the income, while other people earn nothing.
- A higher Gini index indicates greater inequality, with high income individuals receiving much larger percentages of the total income of the population.
- The Gini coefficient is usually defined mathematically based on the Lorenz curve, which plots the proportion of the total income of the population (y-axis) that is cumulatively earned by the bottom x% of the population.