

# ECONOMICS

## Chapter 1: The Story of Village Palampur

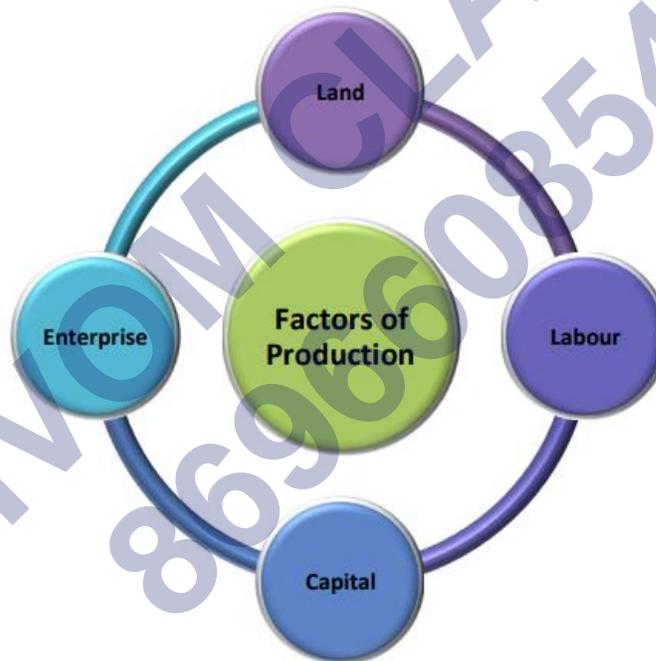


## The Story of Village Palampur

### Basic Concepts: Production

The main activity of Palampur village is farming. Other activities include small-scale manufacturing, dairy, and transport. Palampur has a well-developed system of roads, transport, electricity, irrigation, schools and a health Centre. Let us understand how these production activities are undertaken with the various resources available in this village.

There are four main factors of production of goods and services. These are land, labour, capital and enterprise/human capital. First, land is required to produce goods. Second, labour is involved to execute production activities. Third, physical capital, which is classified into fixed and working capital, is required at every stage of production. Finally, enterprise and knowledge are able to form all the inputs together to produce goods for self use or to sell in the market.



### Organisation of Production

The main aim of production is to produce goods and services, which require four essential components.

1. Land and other natural resources such as water, forests, minerals
2. Labour

### 3. Physical Capital such as tools, machines, buildings, raw materials and money

A variety of raw materials are required during the process of production, such as the yarn used by the weaver and clay used by the potter. Money is also essential during production and both of them in hand are called working capital. The fourth requirement is knowledge and enterprise to be able to put together land, labour and physical capital and produce an output. The factors of production are combining of land, labour, physical capital and human capital.

### Farming in Palampur

#### Land is fixed

- Nearly 75% of the working people depend on farming.
- Land area under cultivation is basically fixed.
- There is no scope for expansion of production with new cultivable land

#### To grow more from the same land

- Kinds of crops grown and facilities available to Palampur village would resemble the western part of the state of Uttar Pradesh.
- All the land is cultivated, and nothing is left unused.
- Rainy season (Kharif): Jowar and Bajra are grown in this season. Potato is cultivated between October and December. Winter season (Rabi): Wheat is produced. Sugarcane is harvested once in a year. Wheat is used for self-consumption as well as sold in the market at Raiganj. A part of the sugarcane crop is sold in the raw form, while the remaining is sold as jaggery to traders in Shahpur.
- Due to a well-developed system of irrigation in Palampur, farmers are able to grow three different crops in a year. Electricity came early to Palampur. They used electric-run tube wells to irrigate the land effectively. By mid-1970s, the entire cultivated area of 200 hectares was irrigated.
- Multiple cropping: To increase production, more than one crop is grown on a piece of land during the year. At least two main crops are grown in Palampur, and they have been growing potato as the third crop in the past fifteen to twenty years.

Cultivated Area over the Years	
Years	Cultivated Area
1950	120
1960	130
1970	140
1980	140
1990	140
2000	140

- Modern farming methods are used for higher yields. The yield is measured as crop is produced on a given piece of land during a single season. High-yielding variety (HYV) seeds produce greater amounts of grain on a single plant. Higher yields were possible only from a combination of HYV seeds, irrigation, chemical fertilisers, pesticides etc. Through the traditional method, the yield of wheat grown was 1300 kg per hectare. With HYV seeds, the yield went up to 3200 kg per hectare.

### Will the land sustain?

- Modern farming has overused the natural resource base.
- The Green Revolution is associated with the loss of soil fertility due to increased use of chemical fertilisers.
- Consumption of chemical fertilisers in Punjab is highest in the country.

### How is land distributed between the farmers of Palampur?

- One third of the 450 families are landless. Most of them are Dalits and have no land for

cultivation.

- Of the remaining families who own land, 240 families cultivate small plots of land less than 2 hectares in size.

### Who will provide the labour?

- Small farmers along with their families cultivate their own field.
- Medium and large farmers hire farm laborers to work on their fields.
- Wages are paid to the hired labour. Wages can be in cash or in kind.
- Wages are paid on a daily basis, for one particular farm activity like harvesting or for the whole year.



### Capital needed in farming

- Most small farmers need to borrow money for their capital.
- The rate of interest on such loans is high.
- The medium and large farmers have their own savings from farming.

### Sale of surplus farm products

- Small farmers produce for their own consumption.

- Medium and large farmers who supply wheat to the market.
- Traders buy the wheat from the market and sell it to shopkeepers in the towns in cities.
- This amount is saved for lending to small farmers who are in need of loans or used for arranging working capital.
- Some farmers may use their savings for buying cattle or trucks. These constitute the capital for non-farming activities.

## Non-farming in Palampur

### Dairy

- Dairy farming is a common activity in many families.
- During the rainy season, jowar and bajra are grown.
- Milk is sold in Raiganj village.
- Two traders from Shahpur town have set up collection-cum-chilling centers at Raiganj.
- This milk is transported to far away towns and cities.

### Small-scale manufacturing in Palampur

- Less than fifty people are engaged in manufacturing.
- Simple production methods are done on a small scale.

People are engaged in small-scale manufacturing which is carried out at home or in the fields. This manufacturing involves very simple production methods.

### Shopkeepers of Palampur

- The traders of Palampur are shopkeepers who buy various goods from wholesale markets in the cities and sell them in the village.

Traders of Palampur buy various goods from wholesale markets in the cities and sell them in the village. General stores in the village sell a wide range of items like rice, wheat, sugar, tea, oil, biscuits, soap, toothpaste, batteries, candles, notebooks, pen, pencil, even some types of cloth.

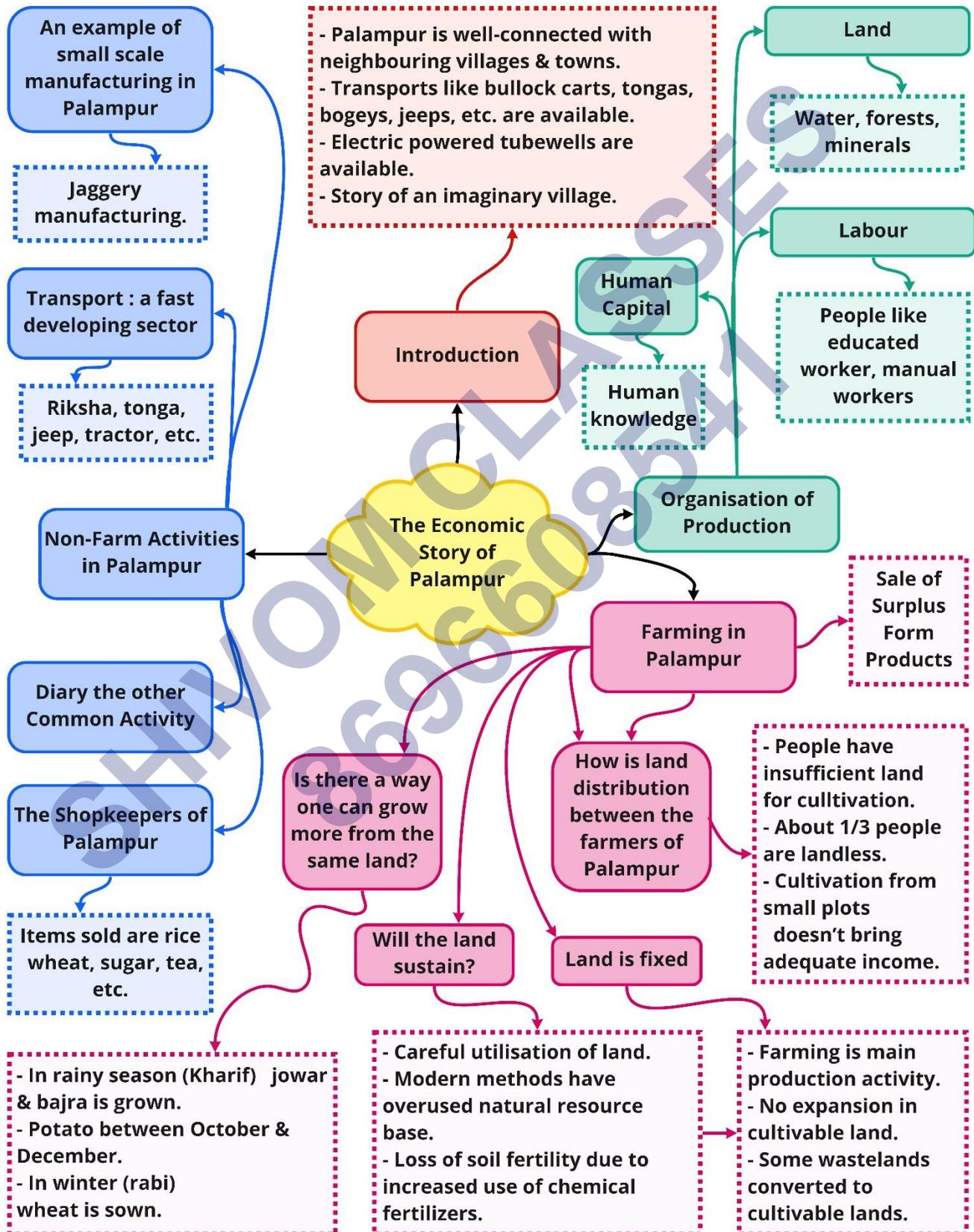
### Transport

- Palampur is connected to Raiganj by road; a variety of vehicles ply on this route.

- Transport services include rickshaws, tonga, jeep, tractor, truck drivers, traditional bullock cart and bogey.
- They transport people and goods from one place to another and in return get paid for it.

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Class : 9th Social Studies (Economics)  
Chapter-1: The Economic Story of Palampur



## Important Questions

### Multiple Choice questions:

Question 1. The standard unit of measuring land is:

- (a) bigha
- (b) guintha
- (c) hectare
- (d) kilometre

Question 2. Palampur resembles a village of the western part of the state of:

- (a) Gujarat
- (b) Rajasthan
- (c) Maharashtra
- (d) Uttar Pradesh

Question 3. During the rainy season, farmers in Palampur grow:

- (a) wheat and barley
- (b) wheat and rice
- (c) wheat and bajra
- (d) jowar and bajra

Question 4. During the winter season, farmers in Palampur grow:

- (a) rice
- (b) jowar
- (c) bajra
- (d) wheat

Question 5. The raw form of jaggery is:

- (a) sugar
- (b) honey
- (c) beat root
- (d) sugarcane

Question 6. To grow more than one crop in a piece of land during the year is known as:

- (a) crop rotation
- (b) cultivation

- (c) single cropping
- (d) multiple cropping

Question 7. All farmers in Palampur grow atleast two main crops may are growing:

- (a) sugarcane as the third crop
- (b) rice as the third crop
- (c) potatoes as the third crop
- (d) onion as the third crop

Question 8. Yield is measured as crop produced on a given piece of land during:

- (a) two seasons
- (b) three seasons
- (c) a single season
- (d) all the above

Question 9. The Green Revolution in the late 1960s introduced the Indian farmer to cultivation of:

- (a) wheat and jowar
- (b) jowar and barley
- (c) wheat and sugarcane
- (d) wheat and rice

Question 10. The states that were the first to try out modern farming methods are:

- (a) Punjab, Haryana and Western Uttar Pradesh
- (b) Punjab, Haryana and Eastern Uttar Pradesh
- (c) Punjab, Haryana and West Bengal
- (d) Orissa, West Bengal and Gujarat

Question 11. The minimum wages for a farm labourer set by the government is Rs:

- (a) Rs. 50 per day
- (b) Rs. 60 per day
- (c) Rs. 70 per day
- (d) Rs. 80 per day

Question 12. People in Palampur feed their buffaloes on various kinds of grass and the jowar and bajra that grows during the:

- (a) summer season

- (c) rainy season
- (d) none of the above

Question 13. The traders of Palampur are shopkeepers who buy various goods from:

- (a) retailers and sell them in the village
- (b) wholesale markets in the village and sell them in the cities
- (c) wholesale markets in the cities and sell them in the villages
- (d) none of the above

Question 14. What is the main activity in Palampur?

- (a) manufacturing
- (b) dairy
- (c) farming
- (d) none of the above

Question 15. The village of Palampur has about families belonging to several different castes.

- (a) 450
- (b) 550
- (c) 650
- (d) 750

### Very Short Questions:

Question 1. Sugarcane crushing undertaken in the village is what type of activity?

Question 2. What is the main economic activity in village Palampur?

Question 3. What are the factors of production?

Question 4. What was the major advantage of using HYV seeds in agriculture?

Question 5. What are the non-farming activities being carried out in Palampur?

Question 6. Who runs the Primary Health Centre in Palampur?

Question 7. What is multiple cropping?

Question 8. Why is loss of soil fertility occurring as an effect of the Green Revolution?

Question 9. What is the disadvantage in using chemical fertilizers in modern farming methods?

Question 10. What is the standard unit for measurement of agricultural land?

### Short Questions:

- Question 1. Which crop out of sugarcane, bajra or wheat are kharif crops?
- Question 2. Identify which out of land, seeds, machinery and building is in the category of working capital.
- Question 3. What are the constituents of modern farming methods?
- Question 4. When large and medium farmers sell their surplus produce in the market, what are the purposes to which they use this income?
- Question 5. Which farmers out of landless farmers, small farmers or medium and large farmers, hire labour to work in the fields?
- Question 6. How is land resource affected by modern farming methods?
- Question 7. How do chemical fertilizers affect the soil?
- Question 8. Who are the farm laborers working for medium and large farmers?
- Question 9. From where small farmers borrow money?
- Question 10. What do large and medium farmers do with their surplus farm products?

### Long Questions:

- Question 1. List the changes in Palampur due to the advent of electric power in the village.
- Question 2. The farm laborers in Palampur usually earn less than the minimum wage. Why?
- Question 3. What is the difference between multiple cropping and modern farming method?
- Question 4. Why are farm laborers like Dala and Ramkali poor?
- Question 5. What do you understand by the term 'Green Revolution'?
- Question 6. How did the spread of electricity help farmers in Palampur?
- Question 7. Is it important to increase the area under irrigation and why?
- Question 8. What are the main factors for production of goods and services?

### Assertion Reason Questions:

1. In the following questions, a statement of Assertion (A) followed by a statement of Reason (R) is given. Choose the correct option out of the choices given below each question.

**Assertion (A):** A farm labourer does not get the wages set by the government.

**Reason (R) :** A farm labourer is ready to work on low wages by seeing heavy competition for work among the farm labourers.

- 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.

2. In the following questions, a statement of Assertion (A) followed by a statement of Reason (R) is given. Choose the correct option out of the choices given below each question.

**Assertion (A) :** Farming is the main activity in Palampur.

**Reason (R) :** Palampur is a village and primary activities are the main sector of economy in villages.

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.

### Case Study Based Question:

1. Read the source and answer the following.

**Tools, Machines, Buildings:** Tools and machines range from very simple tools such as a fancier's plough to sophisticated machines such as generators, turbines, computers, etc. Tools, machines, buildings can be used in production over many years, and are called fixed capital.

**Raw Materials and Money in Hand**

Production requires a variety of raw materials such as the yarn used by the weaver and the clay used by the potter. Also, some money is always required during production to make payments and buy other necessary items. Raw materials and money in hand are called working capital. Unlike tools, machines and buildings, these are used up in production.

(1) A small farmer has 2 hectares of land to cultivate wheat crop his land comes under which type of factor of production?

A) Fixed capital

B) Working capital

C) Natural resource

D) Human capital

(2) For a sugarcane farmer the sugarcane seeds sown in the agricultural field is

A) Fixed capital

B) Working capital

- C) Human capital
- D) All of the above

(3) If a farmer wants to cultivate his field, then which kind of factors of production he may need?

- A) Working capital
- B) Natural resources
- C) Fixed capital
- D) All of the above

(4) If a manufacturer wants to establish his factory at a place what he would need to do so?

- A) Labour
- B) Money and raw material
- C) Land
- D) All of the above

2. Read the source and answer the following.

We have learnt about farming as the main production activity in Palampur. We shall now take a look at some of the non-farm production activities. Only 25 per cent of the people working in Palampur are engaged in activities other than agriculture.

Dairy is a common activity in many families of Palampur. People feed their buffalos on various kinds of grass and the jowar and bajra that grows during the rainy season. The milk is sold in Raiganj, the nearby large village. Two traders from Shahpur town have set up collection cum chilling centres at Raiganj from where the milk is transported to far away towns and cities.

At present, less than fifty people are engaged in manufacturing in Palampur. Unlike the manufacturing that takes place in the big factories in the towns and cities, manufacturing in Palampur involves very simple production methods and are done on a small scale. They are carried out mostly at home or in the fields with the help of family labour. Rarely are labourers hired.

(1) Why are most of the families engaged in farming activity in Palampur village?

- A) People have much area for agricultural activities.
- B) People have become well-off due to farming activities.
- C) Farming has become a passion for people.
- D) Other non-farm activities have not much developed.

- (2) Which of the following is an example of non-farm production activities?
- A) Transportation
  - B) Weaving
  - C) Handicrafts
  - D) All of the above
- (3) How dairy is dependent on farming in Palampur?
- A) Dairy is a farming activity.
  - B) Dairy is done by farmers.
  - C) Buffaloes are fed on agricultural produce.
  - D) Dairy gives more money to farmers.
- (4) Which of the following steps can be taken in order to increase manufacturing sector in Palampur?
- A) Provide incentive to people who are engaged in manufacturing.
  - B) Establish factories in Palampur.
  - C) Provide skill training to people of Palampur.
  - D) All of the above.

### Answer Key:

### MCQ

1. Answer: (c) hectare
2. Answer: (d) Uttar Pradesh
3. Answer: (d) jowar and bajra
4. Answer: (d) wheat
5. Answer: (d) sugarcane
6. Answer: (d) multiple cropping
7. Answer: (c) potatoes as the third crop
8. Answer: (c) a single season
9. Answer: (d) wheat and rice
10. Answer: (a) Punjab, Haryana and Western Uttar Pradesh
11. Answer: (b) Rs. 60 per day
12. Answer: (c) rainy season

13. Answer: (c) wholesale markets in the cities and sell them in the villages
14. Answer: (c) farming
15. Answer: (a) 450

### Very Short Answers:

1. **Answer:** Sugarcane crushing undertaken in the village is the first step in manufacture of jaggery from raw sugarcane. Thus, it is a manufacturing activity.
2. **Answer:** The main economic activity in village Palampur is agriculture.
3. **Answer:** Land, labour, physical capital and human capital are the factors of production.
4. **Answer:** The major advantage of using HYV seeds in agriculture is growing more crops on the same piece of land.
5. **Answer:** Some of the non-farming activities being carried out in Palampur include manufacturing, transport, shop keeping and computer education.
6. **Answer:** The Primary Health Centre in Palampur is run by the government.
7. **Answer:** Multiple cropping means that we grow more than one crop on the same piece of land in a year.
8. **Answer:** During the Green Revolution, due to the extra crops produced which utilized the soil nutrients fully, no nutrients were left for the next crop.
9. **Answer:** The chemicals kill bacteria and microbes, which are essential for soil fertility.
10. **Answer:** Hectare is the standard unit for measurement of agricultural land. Bigha and Guintha are local units used in different parts of India.

### Short Answers:

1. **Answer:** Bajra is a rapid growing warm weather crop suitable for areas with 40 to 75 cm of annual rainfall. Thus, it is suitable for the kharif season, which is between July and October. Wheat is not suitable for warm weather and sugarcane requires a full year to grow.
2. **Answer:** Seeds, once used, cannot be used again and so they fall in the category of working capital. Land, machinery and building are fixed capital, as they can be used again and again.
3. **Answer:** The constituents of modern farming methods are use of high yielding variety of seeds, using chemical fertilizers and pesticides, as well as using plenty of water for irrigation.
4. **Answer:** A part of the earnings is saved and kept as capital for the next season. Thus, they are able to arrange for the capital for farming from their own savings. Some farmers also use the savings to buy cattle, trucks or use it in other non-agricultural activities.

5. **Answer:** Landless farmers are hired as laborers are hired. Small farmers do not need additional labour, as they work with their family members in the fields. Only the medium and large farmers have extensive work, which makes them hire additional labour.
6. **Answer:** Land being a natural resource, it is necessary to be very careful in its use. Scientific reports indicate that the modern farming methods have overused the natural resource base.
7. **Answer:** Chemical fertilizers provide minerals which dissolve in water and are immediately available to plants. But these may not be retained in the soil for long. They may escape from the soil and pollute groundwater, rivers and lakes.
8. **Answer:** Farm laborers come either from landless families or families cultivating small plots of land. Unlike farmers, farm laborers do not have a right over the crops grown on the land, they are paid wages by the farmer.
9. **Answer:** Small farmers either borrow from large farmers or the village moneylenders or the traders who supply various inputs for cultivation. The rate of interest on such loans is very high which makes it difficult for them to repay.
10. **Answer:** Large and medium farmers sell the surplus farm products. A part of the earnings is saved and kept for buying capital for the next season. Some farmers might also use the savings to buy cattle, trucks or to set up shops.

### Long Answers:

1. **Answer:** The advent of electric power in Palampur has brought about the following changes:
  - i. Irrigation is now done through electric run tube wells, which has reduced the dependence of the farmers upon rainfall and enables larger areas of land to be irrigated.
  - ii. Irrigation improvement allowed farmers to grow three different crops in a year.
  - iii. It enabled Mishrilal to set up a sugarcane crushing machine so that he can sell jaggery manufactured by him to the traders at Shahpur.
2. **Answer:** The use of modern agricultural implements like tractors, threshers and harvesters by the large and medium farmers has reduced the amount of agricultural labour required. So, there is competition for work among the agricultural laborers in the village. Knowing that the supply is much more than the demand, the laborers themselves agree to work for wages that are lower than minimum wages. The farmers exploit this condition of excess labour supply and force laborers to work for low wages.
3. **Answer:** Multiple Cropping: To grow more than one crop on a piece of land during the year is known as multiple cropping. It is the most common way of increasing production on a given piece of land. Modern Farming Method The farmers of Punjab, Haryana and

Western Uttar Pradesh use HYV seeds, tube wells for irrigation, chemical fertilizers and pesticides, as well as machinery like tractors and threshers to increase the production. All these measures comprise what are known as modern farming methods.

4. **Answer:**

- i. Dala and Ramkali are landless farm laborers who work on daily wages in Palampur.
- ii. The minimum wages for farm laborer set by the government is 115 per day, they get only 80.
- iii. There is heavy competition for work among the farm laborers in Palampur, so people agree to work for lower wages.
- iv. They remain out of work for most parts of the year and have to take loans from the moneylender to fulfill their needs. Due to this seasonal unemployment, they remain poor and are unable to repay the loan and fall into a debt trap.

5. **Answer:** The 'Green Revolution' was introduced in India, in the late 1960s. Indian farmers used it for the production of major food crops like wheat and rice. They made use of the High Yielding Variety seeds, which produced much greater yield than the traditional seeds. However, they needed plenty of water, chemical fertilizers and pesticides to produce best results.

6. **Answer:**

- i. Most of the houses in Palampur have electric connections.
- ii. Electricity powers all the tube wells in the fields that help to irrigate much larger areas of land more effectively as compared to the traditional Persian wheel drawn by bullocks. Since the entire cultivated area of 200 hectares had come under irrigation farmers did not have to depend on rainfall and could grow multiple crops.
- iii. It helps small businesses run their machinery like Mishrilal's sugarcane crushing machine.

7. **Answer:** More area under irrigation would lead to more yield or production to fulfill the needs of the population. More yield would fetch more income to the farmers. It would provide more employment opportunities for them. Their supplement income can provide them more capital for further investment in non-farm activities also.

8. **Answer:**

- i. The first requirement is land and other natural resources like water, forests, minerals, etc.
- ii. The second requirement is labor, i.e., the people who will do the work. Some activities require educated workers to perform the necessary task and other activities require workers who can do manual work.
- iii. The third requirement is physical capital, i.e., the variety of inputs required at every

stage during production. It includes fixed capital and working capital.

iv. Fourth requirement-knowledge and entrepreneur.

### Assertion Reason Answer:

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

### Case Study Answer:

#### 1. Answer:

- (1) C) Natural resource
- (2) B) Working capital
- (3) D) All of the above
- (4) D) All of the above

#### 2. Answer:

- (1) D) Other non-farm activities have not much developed.
- (2) D) All of the above.
- (3) C) Buffaloes are fed on agricultural produce.
- (4) D) All of the above.