

## **READING COMPREHENSION EXAM 98**

***Read the following passage carefully and answer the questions given below it.***

Agriculture dominates change in India through its causal links with factor and product markets. It employs 60 per cent of the labour force and contributes 26 per cent of the gross domestic product. In the poorer states, its contribution to the domestic product is close to 40 per cent. Low productivity in agriculture has led to the concentration of the poor in this sector. Due to the sheer size of the agricultural economy and the importance of its major products (cereals) in the diets of the poor, gains in agricultural productivity have significant potential impact on poverty. Theoretically, it is possible to reduce poverty as well as expand the domestic market for industry by raising labour productivity in agriculture and spreading its gains among the low-income groups. Modelling of the linkages between agricultural and industrial growth has shown that a 10 per cent increase in agricultural output would increase industrial output by 5 per cent and urban workers would benefit by both increased industrial employment and price deflation. However, there is an asymmetry of adjustments in the demand and supply of agricultural goods. An increase in non-agricultural production would lead to an immediate increase in demand for intermediate and final agricultural goods, whereas supply-side adjustments involving reallocation of resources and net additional investment for capacity expansion take a much longer period. There is a widely held view that in a large country like India, the demand stimulus for industrialisation would come mainly from agriculture with less social and economic costs. Interdependencies in food and labour market are important for the development process. An upward shift in the food supply curve would simultaneously result in an upward shift in the labour demand curve. The magnitude of the interdependence depends on the technique of production causing the shifts in the food supply curve. Similarly, an upward shift in the labour supply curve shifts up the food demand curve. The extent of interdependence between the forces of labour supply and food demand depends on the employment-output elasticity and the income elasticity of demand for food. The recent estimate of the employment-output elasticity in agriculture is around 0.5, income elasticity of food is in the range of 0.55-0.60 and that for cereals is 0.25-0.30. The other important inter-dependency, which plays a crucial role in inducing indirect employment, is that between food and other sectors through demand linkages. Since food accounts for a major share in the budget of the poor and any reduction in the food price leaves a significant proportion of income for other items, a lower food price stimulates employment in industrial and service sectors. On the other hand, an increase in the food price would increase the wage costs of industrial products and hence the prices of industrial products. In the absence of adjustments through exports, it would result in demand deficiency. Clearly, the most favourable situation in India is one in which labour demand outpaces its supply and food supply outpaces its demand. Wage rates cannot fall below a certain minimum determined by the costs of subsistence living and the labour supply curve turns elastic at the subsistence wage rate. Demographic pressure cannot push the wage rate below the subsistence level. People would be willing to starve rather than work unless the energy expended in physical work is compensated by the energy provided by food. Foodgrain price usually determines the subsistence wage rate in agricultural as well as in the urban informal sector since foodgrains account for about four-fifth of the calorie intake of the poor.

**1. Which of the following, according to the passage, signifies influence of agricultural products on poverty?**

- (I) Higher labour productivity in agriculture reduces poverty.
  - (II) Agricultural product is the main constituent of the food of the poor.
  - (III) Agriculture output spurs industrial growth which ultimately helps the poor.
- A. (I) and (II) only  
B. (II) and (III) only  
C. (I) and (III) only  
D. All (I), (II) and (III)  
E. None of these

Answer: D

Solution:

**2. Which of the following, according to the passage, benefits the urban workers get from increased agricultural production?**

- (I) Urban workers get agricultural products at a cheaper rate.
- (II) Urban workers get more job offers in the agricultural sectors.
- (III) Urban workers get more job offers in the industrial sectors.

- A. None
- B. (I) and (II) only
- C. (II) and (III) only
- D. (I) and (III) only
- E. All (I), (II) and (III)

Answer: D

Solution:

**3. Which of the following is meant by "the labour supply curve turns elastic at the subsistence wage rate" as used in the passage?**

- A. People refuse to work at the minimum wage rate
- B. People still work at the minimum wage rate
- C. People are eager to work at the minimum wage rate
- D. People have no option but to work at the minimum wage rate
- E. None of these

Answer: E

Solution:

**4. Which of the following statements is not true in the context of the passage?**

- A. Increase in labour productivity in agriculture can reduce poverty
- B. Agricultural sector can provide the impetus for greater industrialization at lower cost
- C. Increase in food supply will increase the demand for labour forces
- D. Concentration of low income group people is relatively higher in the non-agricultural sector
- E. All are true

Answer: D

Solution:

**5. Which of the following in addition to employment-output elasticity, according to the passage, creates indirect employment?**

- A. Inter-linkage of demand of food and other sectors.
- B. Inter-dependence of forces of labour supply and food demand.
- C. Income elasticity of demand for food.
- D. All of these
- E. None of these

Answer: D

Solution:

**6. Which of the following, according to the passage, can lead to demand deficiency in India?**

- A. Widespread import of food grains
- B. Oversupply of agricultural products
- C. Increase in prices of industrial products
- D. Foresight in gauging the demand-supply of labour

E. None of these

Answer: C

Solution:

**7. Which of the following, according to the passage, is the cause for increase in food supply?**

- A. Less demand by the industrial sector.
- B. Bumper food production due to adequate monsoon.
- C. Change in technique of food production.
- D. Not mentioned in the passage.
- E. None of these

Answer: D

Solution:

**8. Which of the following has the same meaning as the word 'sheer' as used in the passage?**

- A. simple
- B. undiluted
- C. mere
- D. outright
- E. unassisted

Answer: A

Solution:

**9. Which of the following has the same meaning as the word 'deflation' as used in the passage?**

- A. reduction
- B. index
- C. inflation
- D. improvement
- E. diffusion

Answer: A

Solution:

**10. Which of the following is most opposite in meaning of the word 'interdependence' as used in the passage?**

- A. correlated
- B. dependence
- C. independence
- D. relativity
- E. interrelated

Answer: C

Solution: