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MEMBERS AREA

'RC DAILY DOSE'
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PASSAGE – 1

The study of economics is typically divided into two parts: macroeconomics and microeconomics. Macroeconomics focuses on the behavior of an entire economy-the "big picture." In macroeconomics we worry about such national goals as full employment, control of inflation, and economic growth, without worrying about the well-being or behavior of specific individuals or groups. The essential concern of macroeconomics is to understand and improve the performance of the economy as a whole.

Microeconomics is concerned with the details of this 'big picture.' In microeconomics we focus on the individuals, firms, and government agencies that actually comprise the larger economy. Our interest here is in the behavior of individual economic actors. What are their goals? How can they best achieve these goals with their limited resources? How will they respond to various incentives and opportunities?

A primary concern of macroeconomics, for example, is to determine the impact of aggregate consumer spending on total output, employment, and prices. Very little attention is devoted to the actual content of consumer spending or its determinants. Microeconomics, on the other hand, focuses on the specific expenditure decisions of individual consumers and the forces (tastes, prices, incomes) that influence those decisions.

The distinction between macro- and microeconomics is also reflected in discussions of business investment. In macroeconomics we want to know what determines the aggregate rate of business investment and how those expenditures influence the nation's total output, employment, and prices. In microeconomics we focus on the decisions of individual businesses regarding the rate of production, the choice of factors of production, and the pricing of specific goods.

The distinction between macro- and microeconomics is a matter of convenience. In reality, macroeconomic outcomes depend on micro behavior, and micro behavior is affected by macro outcomes. Hence one cannot fully understand how an economy works until one understands how all the participants behave and why they behave as they do. But just as you can drive a car without knowing how its engine is constructed, you can observe how an economy runs without completely disassembling it. In macroeconomics we observe that the car goes faster when the accelerator is depressed and that it slows when the brake is applied. That is all we need to know in most situations. There are times, however, when the car breaks down. When it does, we have to know something more about how the pedals work. This leads us into micro studies. How does each part work? Which ones can or should be fixed?

Our interest in microeconomics is motivated by more than our need to understand how the larger economy works. The "parts" of the economic engine are people. To the extent that we care about the welfare of individuals in society, we have a fundamental interest in microeconomic behavior and outcomes. In this regard, we examine the goals of individual consumers and business firms, seeking to explain how they can maximize their welfare in the economy. In microeconomics, for example, we spend more time looking at which goods are produced, who produces them, and who receives them. In macroeconomics we tend to focus only on how much is produced or how many people are employed in the process.

1. Which of the following best concurs with what the passage has to say ?
 - (1) The distinction between macroeconomics and microeconomics is a matter of convenience.
 - (2) The distinction between microeconomics and macroeconomics should be best left to academicians.
 - (3) The distinction between microeconomics and macroeconomics is best reflected in the area of business investment.
 - (4) All except (2).
2. Which of the following is incorrect as far as the passage is concerned ?
 - (1) Microeconomics is part of macroeconomics.
 - (2) Macroeconomics is concerned with the impact of aggregate consumer spending on total output, employment and prices.
 - (3) Macroeconomics is mutually exclusive of microeconomics.
 - (4) Microeconomics concerns with the individuals, firms and government agencies comprising the larger economy.
3. As per the passage, macroeconomics is essentially concerned with :
 - (1) interpretation of the gross domestic product.
 - (2) projections of the future economy.
 - (3) the living standard of people.
 - (4) understanding and improving the performance of the economy as a whole.

4. *Microeconomics, as the passage makes out, related to decisions of the individual business regarding the :*
 - (1) choice of factors of production.
 - (2) pricing of specific goods.
 - (3) rate of production.
 - (4) All of the above.
5. *All of the following are true with respect to the passage, except that :*
 - (1) discussions on business investments bring out the difference between macroeconomics and microeconomics.
 - (2) in macroeconomics, focus is on how much is produced.
 - (3) micro behaviour is unaffected by macro outcomes.
 - (4) microeconomics seeks the details of the entire economy.
6. *The central idea of the passage is that :*
 - (1) macroeconomics and microeconomics are inseparable components of an economy.
 - (2) macroeconomics is distinct from microeconomics, with no governing relationship.
 - (3) scholars are divided in their opinion of macroeconomics as being pertinent to the study of national goals.
 - (4) behaviour of specific individuals and firms are outside the purview of the study of economics.
7. *The manner in which the passage is handled is :*

(1) abstract.	(2) factual.
(3) philosophical.	(4) metaphysical.
8. *A suitable title for the passage is :*
 - (1) Macroeconomics Is Distinct From Microeconomics.
 - (2) Production And Spending.
 - (3) Macroeconomics And Microeconomics – Facets Of Economy.
 - (4) Finance –An Integral Aspect Of Economy.
9. *Which of the following best illustrates microeconomics as brought out by the passage ?*
 - (1) The inflation of South America is beyond the control of the government.
 - (2) The employment scene in India has been far from satisfactory.
 - (3) The management of BPL decided to slash down the price of its 'Leonard' model.
 - (4) The price rise will be a burning issue that could seal the fate of the present government in the ensuing polls.
10. *Which of the following goes against the idea of macroeconomics, as brought out by the passage ?*
 - (1) Investment was heavy in the housing sector which clearly indicated the need of the people to own a house.
 - (2) The changing taste of people made Brooke Bond Ltd. deviate from its stand and launch a new brand 'Kofipudi'.
 - (3) Agricultural production was largely instrumental in giving a boost to the economic growth of the country.
 - (4) Self employment would go a long way in tackling the problem of unemployment.

PASSAGE – 2

Working with his good friend and later benefactor Friedrich Engels, Karl Marx described how capitalist systems would be destroyed. From his perspective, all history was a sequence of class strife, with class identities based on economic relationships. In the words of the Communist Manifesto, "The history of all existing society is the history of class struggles, freeman and slave, patrician and plebeian, lord and serf, guildmaster and journeyman, in a word, oppressor and oppressed." Capitalist systems, Marx claimed, followed the same pattern; only the class identities were changed. In this case, the oppressors-the capitalists-owned the means of production, and the oppressed-the proletariat-were their modern-day serfs. The "natural" antagonism between these two classes arose out of the capitalist's unrelenting quest for profits and the attendant desire to pay workers as little as possible. This continued exploitation would eventually drive the working class to revolt and would come to an end with a "spontaneous" revolution.

Once the capitalists were sent packing (if they were so fortunate), the working class itself, the proletariat, would take over the means of production. There would be no more class strife, because there would be only one class, with everyone sharing equally in access to the means of production and the output it yielded. The abolition of private property would mean that nobody would have any means of exploiting anybody else. The motivating principles of the communism Marx envisioned would be "from each according to his ability, to each according to his need." In that idealized society, there would be no central authority-no state-because the only function of a state was to express and pursue the interests of the dominant class. Since only one class would exist, in Marx's vision, no state would be necessary.

Marx was not very specific about exactly how a classless, stateless, communist society and economy would function. His immediate concern was with the continuing exploitation of the working class, the widespread poverty, sickness, and degradation that he himself had experienced in the early stages of the Industrial Revolution. Marx died some twenty-five years before the first successful communist revolution, and before he was able to complete *Das Kapital*, his voluminous study of the way capitalist systems functioned.

Although he concentrated on the internal flaws of capitalism and the awakening of working-class interests, Marx also provided some sketches of the kind of society that would follow the revolution. He foresaw that a central government (the state) would be required for some time to give direction to the new society. The proletariat would not be prepared to embrace fully the basic tenets of communism, nor would it have the technical expertise required to organize the means of production. In the interim period, a central authority, a socialist state, would have to solidify class consciousness, reorganize property and production rights, expand output, and plan the transition to a truly communist society. As society moved along in that direction, the state would become increasingly unnecessary and would gradually wither away.

11. *All of the following are false with respect to the passage, except that :*
- (1) Marx was very specific about how a classless, stateless, communist society and economy would function.
 - (2) the workers were lazy and shirked work, hence their oppression at the hands of their masters.
 - (3) in the idealized society, only a central authority would function for administrative purposes.
 - (4) continued exploitation of the working class would result in a revolution.
12. *As per the passage, Karl Marx :*
- (1) opposed the exploitation of the workers.
 - (2) opposed the insincerity of the workers.
 - (3) supported the profit motives of the capitalists.
 - (4) supported the idea of state protecting the interests of the dominant class.
13. *According to the passage, the existence of the state was :*
- (1) necessary to ensure the smoothness of the administration.
 - (2) not needed as only one class would exist.
 - (3) possible by the continuing patronage given by the wealthy class.
 - (4) needed to appease the workers
14. *As per the passage, the capitalists are those who :*
- (1) owned means of production but always had the interests of the workers in mind.
 - (2) strived for more profits that were shared equally among the workers.
 - (3) paid workers as little as possible, pocketing all the profits for themselves.
 - (4) were helpless to do anything for the workers, as the law of the land constrained them from doing so.
15. *The motivating principle envisioned by Marx, as expressed in the passage, was :*
- (1) that hard work pays.
 - (2) to fight for one's rights.
 - (3) as per the maxim, 'to each according to his need, not according to his, ability'.
 - (4) to create good sense in the dominant class, so that they work for the betterment of the underprivileged.
16. *The immediate concern of Marx, according to the passage, was :*
- (1) for the establishment of classless and a stateless society.
 - (2) to eradicate widespread poverty, sickness and degradation.
 - (3) to make the people aware of the interest of the working class.
 - (4) All except (1).
17. *As per the passage, the future society envisioned by Marx would be :*
- (1) that of the proletariat.
 - (2) that of the capitalists.
 - (3) that of the socialist state, a central authority, for the interim period till the proletariat takes over.
 - (4) None of the above.
18. *The author has handled the passage in a manner which is :*
- (1) fictitious.
 - (2) inferential.
 - (3) questioning.
 - (4) instigating.
19. *A suitable title for the passage could be :*
- (1) Visions And Prophecies Of Karl Marx.
 - (2) Workers' Exploitation Is Their Own Doing.
 - (3) Profit– The Life Force Of The Capitalists.
 - (4) Communism Is A Cause For The Ills Of The State.
20. *The passage is about :*
- (1) ideology.
 - (2) history.
 - (3) sociology.
 - (4) business.

Detailed Solutions

1. **Ans.(4).** Options (1) and (3) find their place in the passage. The fifth and the fourth paragraphs state and reflect them. Option (2) finds no mention in the passage and is incorrect. Options (1) and (3) are sought, however, option (4), their combination, is the best one.
2. **Ans.(3).** Each of the options (1), (2) and (4) is true. The fifth, the third and the second paragraphs uphold them. Option (3) falls out as the fifth paragraph refutes it. Option (3), thus, is the one sought.
3. **Ans.(4).** Options (1) and (2) are out of place as regards the passage, whereas option (3) is not the concern of macroeconomy. Option (4) is the correct one, for the passage endorses it in the opening paragraph.
4. **Ans.(4).** Each of the options (1), (2) and (3) find their place in the passage. The fourth paragraph states and upholds them. Hence all of them are correct, however, option (4), their combination, is the perfect pick.
5. **Ans.(3).** Each of the options (1), (2) and (4) is true with respect to the passage. The fourth, sixth and the second paragraph state and validate them. Option (3) is the odd one out, for the fifth paragraph refutes it by having its opposite stated. Option (3) is the one sought.
6. **Ans.(1).** Option (1) is the obvious choice. Throughout the passage, no separation of microeconomics from macroeconomics is made. Rather, their inter-relationship is stated. Options (2), (3) and (4) are incorrect from the point of view of the passage.
7. **Ans.(2).** Option (2) is the correct one. Facts and instances are provided to drive home the concept. It is neither abstract, philosophical or metaphysical. That removes options (1), (3) and (4).
8. **Ans.(3).** The passage is about the linkage of microeconomics and which, together, gives one an insight to the nation's economy. Option (3) is the best title for the passage. The remaining options (1), (2) and (4) do not represent the contents of the passage and are unsuitable titles.
9. **Ans.(3).** Clearly, it is option (3), as the fourth paragraph states that microeconomics is about the pricing of specific goods, as decided by individual business units. Options (1), (2) and (4) fall under the purview of macroeconomics.
10. **Ans.(2).** Option (2) goes against the idea of macroeconomics. The third paragraph throws light on this. It is a part of microeconomics. The remaining options are in place as they come under macroeconomics.
11. **Ans.(4).** Options (1), (2) and (3) are false, for the passage does not state or imply them. Option (4) is in place, for the first paragraph states it. Workers would not tolerate further oppression and would retaliate by means of a revolution.
12. **Ans.(1).** The passage is about the vehement opposition of the exploitation of workers. Karl Marx was of the view that workers were unfairly treated and were victims of injustice. Option (1) is the correct one. The remaining options are not correct and can be sidelined.
13. **Ans.(2).** The second paragraph states that the State was not required in the situation of only one class of people existing, with the dominant class being done away with. The state functioned only to promote the interests of the dominant class. Option (2) best illustrates this and is the appropriate one. The remaining options (1), (3) and (4) are far off the theme of the passage.
14. **Ans.(3).** The opening paragraph of the passage is about the traits of capitalists. They were exploitative towards the workers, paying them less and keeping the profits for themselves. Option (3) best matches with this. The remaining options are not correct.
15. **Ans.(3).** The second paragraph is about the vision of Karl Marx. Option (3) best denotes the motivating principle perceived by Marx. Options (1), (2) and (4) are out of place, as the passage does not state them, direct or implicit.
16. **Ans.(4).** Options (2) and (3) find their place in the passage, in the third and fourth paragraphs respectively. Option (1), though stated in the passage, was not the immediate concern of Marx. Option (4), a combination of options (1) and (2), is the appropriate one.
17. **Ans.(3).** The last paragraph states that the handing over of power to the workers would not be a smooth affair, because of their inability to understand and implement the tenets of communism and organise the means of production would go against their interests. For an interim period, the socialist state would function as a caretaking entity. Option (3) aptly denotes this and is the correct one. The remaining options are not correct.
18. **Ans.(2).** The author has stated the current state of capitalists exploiting the workers. Based on the outcome of similar situations, he has Marx inferring about the future society. Hence option (2) best fits in. The remaining options are not correct.
19. **Ans.(1).** The passage is about the way capitalists treat their fellow workers. Marx is affected and comes out with thoughts and ideas of a future society. Option (1) best depicts this and is a suitable title for the passage. The remaining options are not what the passage conveys. They are not the suitable titles.
20. **Ans.(1).** Yes, the passage is about the musings of Karl Marx or Marxian ideology. Based on his earlier experiences and being a witness to all that was happening, Marx expressed his thoughts and ideas. Option (1) correctly represents this. Though the passage is about a past event, option (2) does not come out strong before (1). Option (3) is weaker before option (1), while option (4) is totally incorrect.

Answer Keys

20.(1)	19.(1)	18.(2)	17.(3)	16.(4)	15.(3)	14.(3)	13.(2)	12.(1)	11.(4)
10.(2)	9.(3)	8.(3)	7.(2)	6.(1)	5.(3)	4.(4)	3.(4)	2.(3)	1.(4)