

Globalisation and the Indian Economy

Assertion & Reason Type Questions

In the following questions given below, there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct option:

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true, but Reason (R) is false.
- d. Assertion (A) is false, but Reason (R) is true.

Q 1. Assertion (A): Global production has a complex structure.

Reason (R): Production of one good may take place in different parts of the world. For instance, an equipment may be formed by combining components produced in different countries.

Answer : A

Q 2. Assertion (A): Local businesses may set up joint production process with MNCs and earn higher profits.

Reason (R): MNCs can provide money for additional investments, like buying new machines for faster production.

Answer : A

Q 3. Assertion (A): Foreign trade and foreign investment result in disintegration of production across countries.

Reason (R): MNCs boost up the production processes in domestic country.

Answer : D

Q 4. Assertion (A): Rapid improvement in technology has been one major factor that has stimulated the globalisation process.

Reason (R): Developing countries are likely to become at par with developed countries in terms of technological development due to globalisation.

Answer : B



Q5. Assertion (A) : Global production has a complex structure.

Reason (R) : Production of one good may take place in different parts of the world. For instance, an equipment may be formed by combining components produced in different countries.

Answer : (a) Globalization leads to connectivity of different countries and goods and services can be transported across the world. Goods, components produced in different parts of the world can be used for production in any country.

Q6. Assertion (A) : Local businesses may set up joint production process with MNCs and earn higher profits.

Reason (R) : MNCs can provide money for additional investments, like buying new machines for faster production.

Answer : (a) At times, MNCs set up production jointly with some of the local companies of the host countries. The benefit to the local company from such joint production is twofold as MNCs can provide for additional investments and can bring in newer technology of production that result in fast-paced production.

Q7. Assertion (A) : MNCs can exert a strong influence on production at distant locations.

Reason (R) : MNCs set up partnerships with local companies, use local companies for supplies, compete with the local companies or buy them up.

Answer : (a) By setting up partnerships with local companies, by using the local companies for supplies, by closely competing with the local companies or buying them up, MNCs are exerting a strong influence on production at distant locations. As a result, production in widely dispersed locations is getting interlinked.

Q8. Assertion (A) : Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.

Reason (R) : Foreign trade expands the choice of goods beyond what is domestically produced.

Answer : (b) Foreign trade creates an opportunity for the producers to reach beyond the domestic markets and thus expands the choices available for consumers.

Q.9. Assertion (A) : Due to foreign trade, producers in different countries closely compete with each other.

Reason (R) : Foreign trade leads to similar prices of good across boundaries, and the producers who do not offer competitive prices may lose the market share.



Answer : (a) Due to foreign trade, producers in different countries closely compete with each other. This is because the price of similar goods tends to become equal in different markets. Therefore, if a good is priced higher in domestic market, consumers may prefer importing it from another country at a lower price.

Q10. Assertion (A) : Foreign trade and foreign investment results in disintegration of production across countries.

Reason (R) : MNCs disrupt the production processes in domestic country.

Answer : (d) The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries. When MNCs conduct joint business processes with local companies, the benefit to local companies is massive as they receive investment funds and exposure to different production techniques.

Q11. Assertion (A) : Rapid improvement in technology has been one major factor that has stimulated the globalization process.

Reason (R) : Developing countries are likely to become at par with developed countries in terms of technological development due to globalization.

Answer : (b) Since globalization leads to movement of goods, services, people and technology across nations, developing countries are likely to become at par with developed countries in terms of technological development.

Q12. Assertion (A) : A tax on imports makes the market for imported goods lucrative in terms of earning higher profits.

Reason (R) : Taxes are imposed to ensure smooth trade between nations and higher tax revenues for the governments of the countries.

Answer : (d) Taxes increase the price of imported goods, and so the demand for imports is likely to go down. As a result, the profits of producers who sell imported goods are also likely to reduce. Governments impose taxes to regulate the amount and quality of goods that enter a nation and to protect domestic industry from foreign competition.

Q13. Assertion (A) : The removal of barriers to trade is known as liberalization.

Reason (R) : federalization of trade allows businesses to freely decide which goods to import and export.

Answer : (b) The removal of barriers to trade is known as liberalization, and the businesses freely deciding which goods to import and export is an outcome of liberalization not a reason for liberalization.



Q14. Assertion (A) : Globalization leads to increased competition in international and domestic markets.

Reason (R) : Globalization also makes the consumers better off as they have a wider variety of goods to choose from at lower prices.

Answer : (b) Globalization leads to increased competition in international and domestic markets as there is free movement of goods, services, labour and funds across countries. Also, consumers are better off as they get better quality and increased variety of goods at lower prices.

