

تمام کلاسز کی حل شدہ مشقیں MrPakistani ویب سائٹ سے فری ڈاؤن لوڈ کریں۔

Allama Iqbal Open University Solved Assignments Spring 2026

Course Code:	402 Code
Course Name:	Economics (اکنامکس)
Class:	BA/AD/BS
Total Credit Hours	6
Total Assignments	4

گھر بیٹھے حل شدہ مشقیں، گیس پیپرز، کتابیں اور خلاصے حاصل کرنے کے لیے رابطہ کریں واٹس ایپ نمبر: 03036940016

نوٹ: ہم طلبہ کے لیے جامع اور معیاری تعلیمی خدمات فراہم کرتے ہیں۔ ہماری خدمات میں علامہ اقبال اوپن یونیورسٹی کے حل شدہ اسائنمنٹس، گیس پیپرز، سابقہ پرچے، تازہ ملازمتوں کی معلومات، آن لائن سی وی تیار کرنا، ملازمت کے لیے درخواست دینا، یونیورسٹی داخلوں میں رہنمائی اور درخواست جمع کروانا شامل ہیں۔ اس کے علاوہ یونیورسٹی سے متعلق طلبہ کے ہر قسم کے تعلیمی اور رہنمائی کے کام میں مکمل تعاون فراہم کیا جاتا ہے تاکہ طلبہ کو ایک ہی جگہ پر تمام ضروری سہولیات میسر آسکیں۔



واٹس ایپ گروپ جوائن کرنے کے لیے سامنے دیے گئے لنک پر کلک کریں۔



واٹس ایپ چینل جوائن کرنے کے لیے سامنے دیے گئے لنک پر کلک کریں۔



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Assignment 4

Q.1 What is meant by protection? Also, enumerate your arguments for and against protection. Also, give a conclusion on the basis of your own opinion.

Answer:

Meaning of Protection

Protection refers to government policies that restrict free international trade in order to shield domestic industries from foreign competition. Instruments of protection include:

- **Tariffs** (import duties)
- **Quotas** (quantitative limits)
- **Subsidies to domestic producers**
- **Non-tariff barriers** (health standards, licensing, red tape)
- **Exchange controls**
- **Voluntary export restraints (VERs)**

Arguments FOR Protection

1. **Infant industry argument** – New industries need temporary protection to grow and achieve economies of scale (Alexander Hamilton, Friedrich List).
2. **National defence / strategic industries** – Defence, energy, food should be domestically produced to avoid vulnerability.
3. **Diversification** – To reduce dependence on a few export commodities.
4. **Cheap labour argument** – Developing countries cannot compete with developed countries' advanced technology; protection gives time to upgrade.
5. **Anti-dumping** – Prevent foreign firms from selling below cost to destroy local industry.
6. **Protect employment** – Save jobs in import-competing sectors.
7. **Improve terms of trade** – Large country can impose tariff to lower import prices (optimal tariff).
8. **Correct balance of payments** – Reduce import spending.
9. **Revenue generation** – Tariffs provide government revenue in low-income countries.
10. **Protect social standards** – Block imports made with child labour or environmental damage.



Arguments AGAINST Protection

1. **Higher consumer prices** – Tariffs reduce competition → domestic monopolies charge more.
2. **Retaliation** – Other countries impose reciprocal barriers → trade war reduces world welfare.
3. **Inefficiency** – Protected industries have no incentive to innovate or cut costs.
4. **Misallocation of resources** – Capital and labour stay in inefficient sectors instead of moving to comparative advantage industries.
5. **Limited choice** – Consumers get fewer varieties, lower quality.
6. **Corruption** – Quota licenses can be sold or bribed.
7. **Costly to taxpayers** – Subsidies financed by taxes.
8. **Hurts export industries** – Protection raises input costs (e.g., steel tariff hurts car makers).
9. **Delays adjustment** – Industries become permanently dependent on protection.
10. **Ineffective against comparative advantage** – In the long run, no amount of protection can make a country efficient in all goods.

Conclusion (own opinion)

In my opinion, **temporary and selective protection** can be justified for infant industries and strategic sectors, provided it is time-bound and combined with performance criteria (e.g., export targets). However, protection should not become permanent, and it must be accompanied by policies that enhance competitiveness (education, infrastructure, R&D). For most industries, free trade is superior because it forces efficiency, benefits consumers, and promotes innovation. The best approach is **fair trade** – using anti-dumping rules and WTO-consistent safeguards, while avoiding blanket protectionism. Developing countries should use protection sparingly and phase it out as industries mature.

Q.2 What is public debt? Enumerate its different types. Also, furnish a detailed discussion on temporary and permanent debt.

Answer:

Public Debt

Public debt is the total amount of money owed by the government (central or state) to creditors (domestic or foreign). It arises from borrowing to finance fiscal deficits, public projects, or to cover revenue shortfalls.



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Answer:

Tools of Fiscal Policy

Fiscal policy uses government's **taxation and spending** powers to influence the economy. Tools are divided into **automatic** and **discretionary**.

A. Discretionary Fiscal Tools (active changes by government)

1. **Government expenditure** – changes in:
 - Capital expenditure (infrastructure, buildings)
 - Revenue expenditure (salaries, subsidies, defence)
 - Transfer payments (pensions, unemployment benefits)
2. **Taxation** – changes in:
 - Direct taxes (income tax, corporate tax) → affect disposable income.
 - Indirect taxes (GST, excise, customs) → affect prices and consumption.
3. **Public debt management** – borrowing to finance deficits.
4. **Budgetary surplus / deficit** – expansionary policy (deficit) vs contractionary (surplus).

B. Automatic Stabilisers (built-in)

- **Progressive income tax** – tax revenue falls when income falls (cushions downturn).
- **Unemployment benefits** – increase during recession (support demand).
- **Welfare payments** – automatically rise when economy slows.

They act without legislative action, reducing the amplitude of business cycles.

Objectives of Fiscal Policy (Detailed)

1. Economic Growth

- Increase aggregate demand (via spending) and supply (via infrastructure, education).
- Focus on capital expenditure with high multiplier effects.
- Example: Government building roads → employment → income → consumption → more investment.

2. Price Stability (Control inflation)

- In inflation: reduce spending, increase taxes (contractionary policy).



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- In deflation: increase spending, cut taxes (expansionary policy).

3. Full Employment

- Use public works programmes, tax incentives to boost employment.
- In Keynesian framework, fiscal policy can fill the demand gap to reach full employment.

4. Equitable Distribution of Income and Wealth

- Progressive taxation (higher tax on rich).
- Transfer payments (subsidies, social security for poor).
- Expenditure on public goods (education, health, housing for low-income groups).

5. Stabilisation of Business Cycles

- Counter-cyclical policy: deficit during recessions, surplus during booms.
- Smooth out fluctuations in output and employment.

6. Economic Stability (external balance)

- Manage currency value by influencing trade balance.
- Tax/subsidy policies to promote exports or reduce imports.

7. Efficient Allocation of Resources

- Subsidies to environmentally friendly sectors.
- Taxes on harmful goods (sin taxes on tobacco, alcohol).

8. Regional Balance

- Special tax breaks for underdeveloped regions.
- Higher government investment in backward areas.

Conclusion: Fiscal policy is a powerful tool for achieving macroeconomic goals. However, it faces limitations: time lags, political constraints, crowding out, and debt sustainability. In practice, it is coordinated with monetary policy.

Q.4 Write a detailed note on the criterion for the measurement of economic development.



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Answer:

Measurement of Economic Development

Economic development is broader than economic growth; it includes structural changes, poverty reduction, improved health and education, and environmental sustainability. Several criteria (indicators) are used.

A. Traditional (Income-based) Measures

1. Gross National Product (GNP) per capita

- Simple average income.
- Limitation: ignores distribution, non-market activities, quality of life.

2. Net National Product (NNP) per capita – adjusts for depreciation.

3. Real GDP per capita (PPP) – Purchasing Power Parity adjusts for cost of living differences.

B. Welfare-based Measures

1. Physical Quality of Life Index (PQLI) – by Morris D. Morris (1979)

- Composite of:

- Life expectancy (age 1)
- Infant mortality rate
- Literacy rate

- Scale 0 to 100. Simple and does not use income.

2. Human Development Index (HDI) – UNDP (1990)

- Three dimensions:

- **Health** (life expectancy at birth)
- **Education** (mean years of schooling + expected years)
- **Standard of living** (GNI per capita, PPP\$)

- Geometric mean of normalised indices. Ranges 0 to 1.

- **Limitation:** Ignores inequality, environmental damage.

3. Inequality-adjusted HDI (IHDI) – discounts HDI for inequality in each dimension.

4. Gender Development Index (GDI) – compares HDI of females and males.

5. Gender Inequality Index (GII) – measures reproductive health, empowerment, labour market.

C. Multi-dimensional Measures

1. Multidimensional Poverty Index (MPI) – UNDP 2010



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- Ten indicators: nutrition, child mortality, years of schooling, school attendance, cooking fuel, sanitation, water, electricity, floor, assets.
- Identifies acute poverty beyond income.
- 2. **Genuine Progress Indicator (GPI)**
 - Starts from personal consumption, adds value of household and volunteer work, subtracts costs of crime, pollution, resource depletion.
 - Better reflection of sustainable welfare.
- 3. **Green GDP** – GDP minus environmental degradation costs.
- 4. **OECD Better Life Index** – 11 dimensions (housing, income, jobs, community, education, environment, civic engagement, health, life satisfaction, safety, work-life balance).

D. Basic Needs Approach

Focuses on providing essential goods and services: food, shelter, water, sanitation, health, education, employment. Success measured by proportion of population meeting minimum thresholds.

E. Social and Political Indicators

- **Corruption Perceptions Index**
- **Democracy Index**
- **Rule of law, property rights**
- **Press freedom, civil liberties**

These reflect institutional development.

Selection of Criteria

No single indicator is perfect. For comprehensive assessment, economists combine:

- **HDI** for cross-country comparisons,
- **GPI** for sustainability,
- **MPI** for poverty,
- **Income per capita** for average material well-being.

Conclusion: Economic development is a multi-faceted concept. The measurement has evolved from pure GNP to human-centred and sustainable indicators. The choice of criteria depends on the purpose: policy design, international ranking, or academic research.



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Q.5 Define planning. Also discuss the objectives and process of planning in detail.

Answer:

Definition of Planning

Economic planning means **centralised, systematic, and conscious direction of economic activities** by the state to achieve predetermined goals within a specified time period. According to Dickinson: "Planning is the making of major economic decisions by the conscious decision of a central authority."

In a mixed economy (like India), planning is indicative (not command) – the government sets targets and uses policy levers to guide the private sector.

Objectives of Planning

1. Economic Growth

- Increase GDP and per capita income.
- Set target growth rates (e.g., 5% in Five Year Plans).

2. Self-reliance

- Reduce dependence on foreign aid and imports.
- Promote domestic industries (import substitution).

3. Modernisation

- Upgrade technology, infrastructure, institutions.
- Shift from agriculture to industry and services.

4. Equitable Distribution of Income and Wealth

- Reduce disparities between rich and poor, urban and rural.
- Land reforms, progressive taxation, social security.

5. Full Employment



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Perspective plan	Long term (15-20 years)	India's 15-year vision
Annual plan	Yearly operational plan	Budget

Conclusion: Planning is a rational approach to development that helps coordinate public and private actions. While centralised command planning has largely failed, **indicative planning** remains relevant for setting national priorities, coordinating infrastructure, and correcting market failures. The success of planning depends on sound analysis, flexible implementation, and democratic accountability.



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