

- (f) Write one example of short term public debt.
- (g) According to the critical limit hypothesis, when the share of government sector exceeds 25% of the national income, then
- people become less productive
  - inflation occurs even under balanced budget
  - Both (i) and (ii)
  - Neither (i) nor (ii)
- (h) To contain inflation the Government can resort to
- increase public expenditure
  - repayment of public debt
  - buying bonds and securities
  - selling bonds and securities
2. Write short notes on any *four* of the following (within 150 words each) :  $4 \times 4 = 16$
- Merit goods vs. private goods
  - Advantages of direct tax over indirect tax
  - Critical limit hypothesis
  - Sources of public borrowing
  - Role of public enterprises in developing countries

Answer the following questions (within 500 words each) :

3. (a) Explain the reasons for growth of public sector in modern economy. Do you think that the public sector has to play its role even in a market economy? Give justification.  $5+6=11$

Or

- (b) Explain with a diagram the principle of maximum social advantage. Do you think it is correct to assume that all public expenditures create welfare and all taxes involve sacrifice? Give justification.  $7+4=11$

4. (a) What are the characteristics of a good tax system? Explain how are the volume and composition of production in an economy affected by taxation.  $4+7=11$

Or

- (b) Define goods and services tax (GST). What are its advantages and disadvantages?  $3+4+4=11$