

- (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
- (i) people become less productive
 - (ii) inflation occurs even under balanced budget
 - (iii) Both (i) and (ii)
 - (iv) Neither (i) nor (ii)
- (h) To contain inflation the Government can resort to
- (i) increase public expenditure
 - (ii) repayment of public debt
 - (iii) buying bonds and securities
 - (iv) selling bonds and securities

2. Write short notes on any *four* of the following
(within 150 words each) : 4×4=16

- (a) Merit goods vs. private goods
- (b) Advantages of direct tax over indirect tax
- (c) Critical limit hypothesis
- (d) Sources of public borrowing
- (e) 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