

GS-III: Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development and Employment.

1. Do expanding Capital expenditure will help Indian Economy to come out of current slowdown? Is this slowdown Cyclical or Structural. Comment.

Why this Question:

- ▶▶ Current Indian Economy is going through a slowdown and government too has acknowledged it.
- ▶▶ Generally, questions from Economic section are analytical and understanding based on core economic concepts.

Key Demand of Questions:

- ▶▶ Want to know whether you are aware of the current economic situation of our country.
- ▶▶ Possible ways to address the slowdown.
- ▶▶ Need to write capital expenditure in detail and its significance to Indian economy.
- ▶▶ Explain the terms cyclical and Structural slowdown.

Directive word:

Comment:

- ▶▶ When you are asked to comment, you have to pick main points and give your 'opinion' on them based on evidences or arguments stemming from your wide reading.
- ▶▶ Your opinion may be for or against, but you must back your argument with evidences.
- ▶▶ These types of question offer you a chance to consolidate your reading of different subjects to justify your opinion.

Structure of Answer:

Introduction:

- ▶▶ In such type of questions, where they have suggested solution in the question itself, try to give background of the situation in introduction.

Body:

- ▶▶ Explain the current situation and possible impacts on Indian economy.
- ▶▶ State other ways to come out of the slowdown.
- ▶▶ Write significance of Capital expenditure and its importance to Indian Economy.
- ▶▶ State Government's response and possible impact and also state the Monetary policy response and its impact.

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- ▶▶ Try to explain structural flaws in Indian Economy. (state eg of 1991 response to recession)
 - ▶▶ Differentiate between Cyclical and Structural slow down.
 - ▶▶ Possible ways to come out of Cyclical and Structural slowdown.
 - ▶▶ Do mention that the current slowdown is Cyclical or Structural or both.
 - ▶▶ Indian economy is basically savings-based economy and this decline must be compensated by government investing more specifically in capital expenditure.

Conclusion:

- ▶▶ Try to conclude on the same reasons of why there should be more expenditure in the capital area to address the slowdown.

