Q98

There has been a persistent deficit budget year after year. Which of the following actions can be taken by the government to reduce the deficit? 1. Reducing revenue expenditure 2. Introducing new welfare schemes 3. Rationalizing subsidies 4. Expanding industries Select the correct answer using the code given below (a) 1 and 3 only (b) 2 and 3 only (c) 1 only (d) 1, 2, 3 and 4 Official key: A.

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Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a) Official key

Cutting revenue expenditure and rationalising subsidies both reduce the fiscal deficit, other things equal. New welfare schemes and expanding industries (as spending) do not. Hence 1 and 3 only is the official key.

(b)

New welfare schemes raise expenditure; they do not reduce a persistent deficit. Rationalising subsidies helps, but pairing it with statement 2 fails. This option is not the key.

(c)

Reducing revenue expenditure helps, but subsidy rationalisation is also a valid consolidation step, so '1 only' is incomplete. This option is not the key.

(d)

All four would include new welfare schemes and industry expansion as deficit-cutting tools. Those typically raise outlays. This option is not the key.

Summary

Official key is (a) 1 and 3 only. A persistent deficit is closed by raising revenue or cutting spending. Revenue-expenditure control and subsidy reform are spending-side consolidation. New welfare schemes add committed expenditure. Expanding industries is not a deficit-reduction instrument in this list; it may even need public outlay. Statements 2 and 4 therefore fall.

Related possible facts

These can be asked in a future Prelims paper.

Fiscal deficit
Borrowing requirement: total expenditure minus (revenue receipts + non-debt capital receipts)

Revenue expenditure
Does not create assets; salaries, interest, subsidies, schemes

Subsidy rationalisation
Targeting, DBT, price reforms to cut leakages and outgo

Fiscal Responsibility and Budget Management Act (FRBM)
Fiscal Responsibility and Budget Management framework for deficit paths

Capital expenditure
Asset-creating; not the same as launching new welfare schemes