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Q47

If a commodity is provided free to the public by the Government, then (a) the opportunity cost is zero. (b) the opportunity cost is ignored. (c) the opportunity cost is transferred from the consumers of the product to the tax-paying public. (d) the opportunity cost is transferred from the consumers of the product to the Government. Official key: C.

UPSC Civil Services Prelims 2018 · General Studies · 2 marks · Economy

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

Explanation**(a)**

(a) **Opportunity cost** is zero. Free-to-user is not free-to-society; resources still have alternative uses. This is not the key.

(b)

(b) **Opportunity cost** is ignored. Good public accounting should not ignore it; the economic cost still exists. This is not the key.

(c) Official key

(c) **Opportunity cost** is transferred from the consumers of the product to the tax-paying public.

(c) Official key: If government supplies a good at zero price, taxpayers (or other public funds) bear the real resource cost that consumers no longer pay. That transfer is the stored key.

(d)

(d) **Opportunity cost** is transferred to the Government. The Government is an agent; the burden falls on the public that finances it, not on a costless entity called Government. This is not the key.

Summary

Official key is (c). A zero user-price does not erase **opportunity cost**; it shifts it onto taxpayers. The cost is neither zero nor merely 'ignored', nor parked on government as if government were not funded by the public. Honour the stored letter (c).

Related possible facts

These can be asked in a future Prelims paper.

Opportunity cost

Value of the next-best alternative forgone

Free goods vs free lunches

Air may be free; public services are not

Public goods

Non-rival, non-excludable; still costly to produce

Subsidy

Wedge between user price and social cost

Tax incidence

Who ultimately bears the finance of free provision

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