

UPSC Mains 2025 Aug 31, 2025 Economics (Paper 1) Question Paper and Answer Key PDF

Q. No.	Question	Check Solution
Q1 (A)	Show that when prices and income increase in the same proportion, there will be no change in quantity demanded for a commodity in Marshallian approach.	<a href="#">Check Solution</a>
Q1 (B)	Interpret the slope of the IS curve. Why is IS curve normally negatively sloped?	<a href="#">Check Solution</a>
Q1 (C)	What is classical dichotomy ? Is it the same as neutrality of money? Explain.	<a href="#">Check Solution</a>
Q1 (D)	What are the major reasons for market failure ? Explain the role of the government in this context.	<a href="#">Check Solution</a>
Q1 (E)	What are the determinants of velocity of money in Fisher's equation ? How does it differ from the Cambridge version of velocity of money?	<a href="#">Check Solution</a>
Q2 (A)	Derive Marshallian demand curve for an inferior good in a two-commodity framework by using income and substitution effects. Is this demand curve always negatively sloped ? Explain.	<a href="#">Check Solution</a>
Q2 (B)	Consider a firm in a Duopoly market with product differentiation in which, Duopolist I faces a demand function given by: $P_1 = 200 - 491 - 292$ The cost function of Duopolist I is: $C_1 = 5q^2$ Assume that Duopolist II has 1/3 rd share of the whole market. Find out optimal price, output and profit for Duopolist I. Also find out the output of Duopolist II.	<a href="#">Check Solution</a>
Q2 (C)	What is Scitovsky Paradox? Explain it in the context of Kaldor-Hicks compensation test.	<a href="#">Check Solution</a>
Q3 (A)	Define liquidity trap. Show that fiscal policy is fully effective in the horizontal part while the monetary policy is fully effective in the vertical part of the LM curve. Illustrate your answer graphically with economic reasons.	<a href="#">Check Solution</a>
Q3 (B)	How does the loanable fund theory become superior to the classical theory of interest?	<a href="#">Check Solution</a>
Q3 (C)	"The failure of classical full employment equilibrium paved the way for Keynes' theory of underemployment equilibrium." Discuss critically.	<a href="#">Check Solution</a>
Q4 (A) (i)	Explain the effects of public spending on national income, if it is Financed through government borrowings.	<a href="#">Check Solution</a>
Q4 (A) (ii)	Why do some believe that it is important to restrict the growth of public expenditure ? Suggest how public expenditure might be controlled.	<a href="#">Check Solution</a>
Q4 (B) (i)	Suppose that the market demand and supply functions are given by: $Q_d = - 500P + 5000$ and $Q_s = 400P - 400$ Find out the effects of imposition of specific sales tax of 18% on equilibrium price and quantity.	<a href="#">Check Solution</a>

Q4 (B) (ii)	In a monopoly market, the demand and cost curves are given by: $p = 200 - 8q$ and $c = 25 + 10q$ Suppose that the government imposes a tax of 10 per unit. How will equilibrium price and quantity be affected?	<a href="#">Check Solution</a>
Q4 (C)	Define money multiplier and discuss its determinants. Explain in terms of money multiplier, how the banking system of an economy can control money supply.	<a href="#">Check Solution</a>
Q5 (A)	Define offer curve and explain its slope.	<a href="#">Check Solution</a>
Q5 (B)	What is J-curve effect? Explain it graphically.	<a href="#">Check Solution</a>
Q5 (C)	State Heckscher-Ohlin theory. Explain the Leontief Paradox in this context.	<a href="#">Check Solution</a>
Q5 (D)	Write down the implications of knife-edge problem in Harrod's model of growth.	<a href="#">Check Solution</a>
Q5 (E)	Write down the major limitations of HDI developed by the UNDP.	<a href="#">Check Solution</a>
Q6 (A)	Explain the price effect, protective effect, consumption effect, revenue effect and distributive effect of tariff in partial equilibrium framework	<a href="#">Check Solution</a>
Q6 (B)	Define the concepts of trade creation and trade diversion. Explain their role in the context of gains from trade bloc.	<a href="#">Check Solution</a>
Q6 (C)	Do you think that perfect capital mobility under fixed exchange rate improves the effectiveness of fiscal and monetary policies? Explain.	<a href="#">Check Solution</a>
Q7 (A)	Analyse critically the role of human capital and Research and Development (R&D) expenditure on economic growth in the framework of endogenous growth model.	<a href="#">Check Solution</a>
Q7 (B)	"Increasing role of multinationals has reduced the significance of foreign aid during post-World Trade Organization (WTO) regime." Do you agree with this statement? Explain.	<a href="#">Check Solution</a>
Q7 (C)	Define the concept of natural growth in Harrod's model. What are the implications of deviation of actual growth from natural growth?	<a href="#">Check Solution</a>
Q8 (A)	Explain the role of World Trade Organization (WTO) in the present context. Discuss the merits and demerits of TRIMs and TRIPs.	<a href="#">Check Solution</a>
Q8 (B)	Do you think that economic growth and sustainable development are contrary to each other? Justify your answer.	<a href="#">Check Solution</a>
Q8 (C)	Explain the role of planning in the development process in the context of increasing significance of market economy.	<a href="#">Check Solution</a>