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4 SEM TDC ECO M 2

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(May)

ECONOMICS

(Major)

Course : 402

(Public Economics)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Choose the most appropriate answer of the following : 1×8=8

(a) Marginal cost of a pure public good is

- (i) zero or close to zero
- (ii) one
- (iii) very high
- (iv) equal to price

(2)

(b) The most important objective of public finance operations in developing countries is

- (i) to correct cyclical fluctuations in the economy
- (ii) to correct depressionary trend
- (iii) to accelerate capital formation
- (iv) All of the above

(c) If the elasticity of supply and elasticity of demand are equal, the incidence of a tax on buyer will be

- (i) > 50% of the tax
- (ii) < 50% of the tax
- (iii) 50% of the tax
- (iv) None of the above

(d) If taxes are levied according to the ability to pay theory, it leads to

- (i) proportional taxes
- (ii) progressive taxes
- (iii) regressive taxes
- (iv) equal amount of tax on all persons

(e) According to Peacock-Wiseman hypothesis, the movement from the older level of expenditure and taxation to a new and higher level is

- (i) displacement effect
- (ii) inspection effect
- (iii) concentration effect
- (iv) critical limit hypothesis

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(Continued)

(3)

(f) External debt is repaid through export which is often termed as 'unrequired export'. This is called

- (i) direct money burden
- (ii) indirect money burden
- (iii) direct real burden
- (iv) indirect real burden

(g) Treasury bills are examples of

- (i) tax revenue
- (ii) short-term public debt
- (iii) costs incurred during parliamentary session
- (iv) None of the above

(h) 'No profit no loss' theory of public utilities was put forth by

- (i) Hotelling and Dalton
- (ii) Fabians and Lewis
- (iii) Taylor and Musgrave
- (iv) V. K. R. V. Rao and Mehta

2. Write short notes on/Answer any four of the following (**within 150 words** each) : $4 \times 4 = 16$

- (a) Role of public sector in market economy
- (b) "The best system of taxation is one which has the best or the least bad economic effects." Elaborate the statement.

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(Turn Over)

(4)

- (c) Goods and services tax
- (d) Control of public expenditure
- (e) Public debt management policy
- (f) Role of public enterprises in less-developed countries

Answer the following questions (**within 500 words** each) :

3. (a) Define merit goods, mixed goods and club goods with examples. Explain the differences between public goods and private goods. 6+5=11

Or

- (b) Explain the principle of maximum social advantage. What difficulties do arise in following this principle in actual practice? 7+4=11

4. (a) Analyze the subjective and objective approaches to 'ability to pay' in imposing taxes. 7+5=12

Or

- (b) Analyze how the incidence of a tax on a commodity is influenced by elasticities of demand and supply. 12

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(Continued)

(5)

5. (a) Examine the role of public expenditure as an instrument of growth and stabilization. 6+5=11

Or

- (b) Discuss the essence of Peacock-Wiseman hypothesis. 11

6. (a) Examine critically the economic effects of public debt. 11

Or

- (b) Explain the nature of the burden of internal public debt. Do you think that external public debt is more burdensome? 8+3=11

7. (a) State the meaning of public enterprises and public utilities. Discuss the price policy of public enterprises. 4+7=11

Or

- (b) State different forms of public enterprise. Critically explain the theory of making profit. 4+7=11

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