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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) Which of the following is an example of
merit want?

(i) Low-cost housing

(ii) Subsidized education

(iii) Subsidized food

(iv) All of the above

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(Turn Over)

(2)

- (a) Which of the following is not a direct tax?
- (i) Securities transaction tax
 - (ii) Gift tax
 - (iii) Corporation tax
 - (iv) Entertainment tax
- (c) According to Colin-Clark, when the share of government sector exceeds 25% in the GNP
- (i) people become less productive
 - (ii) inflation occurs even under balanced budget
 - (iii) Both (i) and (ii)
 - (iv) Neither (i) nor (ii)
- (d) According to the classical economists, public finance is a
- (i) physical science
 - (ii) normative science
 - (iii) positive science
 - (iv) None of the above

(3)

- (e) Public enterprises in India have been developed primarily in
- (i) consumer goods industries
 - (ii) key and public industries
 - (iii) service industries
 - (iv) All of the above
- (f) To decrease economic inequalities, which of the following combinations is best?
- (i) Regressive tax and progressive expenditure
 - (ii) Progressive tax and progressive expenditure
 - (iii) Proportional tax and proportional expenditure
 - (iv) Digressive tax and progressive expenditure

(Turn

(4)

(g) The benefits or harms which a firm or an individual causes to another but for which they are not paid or penalized is called

(i) third-party effect

(ii) spillover effect

(iii) externalities

(iv) All of the above

(h) Expenditure which reduces liability and increases assets, is called

(i) revenue expenditure

(ii) capital expenditure

(iii) recurring expenditure

(iv) All of the above

2. Write short notes on any *four* of the following
(within 150 words each) :

4×4=16

(a) Meaning of mixed goods and club goods

(b) Value added tax

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(Continued

(5)

(c) Limitations of Wiseman-Peacock hypothesis

(d) Public debt management policy

(e) Meaning of public enterprises and public utilities

Answer the following questions (within 500 words each) :

3. (a) Explain the important differences between public goods and private goods. Discuss the role of government in providing merit goods. 5+6=11

Or

(b) Explain the principle of maximum social advantage. Do you think violation of equimarginal utility principle will make public finance operations less efficient? Give justifications. 5+1+5=11

4. (a) Distinguish between vertical equity and horizontal equity. In the light of the ability to pay principle, discuss the various concepts of equal sacrifice with the help of a diagram. 2+9

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(Turn O

(6)

Or

- (b) What are meant by forward shifting and backward shifting of tax? Explain the factors on which shifting and incidence of tax depends. $2+9=11$

5. (a) Critically explain the critical limit hypothesis of public expenditure. 11

Or

- (b) Critically discuss the role of public expenditure in economic growth and stability. $6+5=11$

6. (a) Critically explain how public debt becomes a burden on community with special reference to external debt. 12

Or

- (b) (i) Explain the effects of public debt on production and distribution. 6

- (ii) "The burden of public debt can be shifted to future generations." Analyze the statement. 6

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(Continued)

(7)

7. (a) Justify the role of public enterprises in less-developed countries. 1

Or

- (b) Discuss critically the 'no profit no loss' theory of public enterprises.

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