End Term Examination 2017 **M.A Economics Semester-II**

Course Code: PGECO2E004T ***Course Title: Public Economics***

Max. Time: 3 hours *Max Marks: 100*

Section A- Each part of this question carries one and half mark. ***1.5*10=15***

(i) Public goods can be differentiated from private goods on the basis of
(a) Pricing (b) Divisibility
(c) Principle of exclusion (d) All of the above

(ii)Marginal cost of a pure public good would be
(a) 1 (b) Less than Zero
(c) Greater than Zero (d) Zero or close to zero

(iii) Which of the following statements are conditions for Pareto optimum point? (where A and B are two consumers , X and Y are two goods)
(a) $MRS_{xy}{}^{A} = MRS_{xy}{}^{B}$
(b) $MRS_{xy} = MRTS_{xy}$
(c) Both (a) and (b)
(d) None of these

(iv) Elasticity of a tax is measured by
(a) Ratio of proportionate increase in tax revenue to proportionate decrease in Income
(b) Ratio of proportionate increase in tax revenue to proportionate decrease in tax base
(c) Ratio of proportionate increase in tax revenue to proportionate increase in tax base
(d) Ratio of proportionate increase in tax revenue to proportionate increase in savings

(v) The money burden of tax refers to
(a) Reduction in Income
(b) Reduction in real income
(c) Reduction in money income
(d) Reduction in personal disposable income

(vi) Excess of total expenditure over total receipts is known as
(a) Budgetary deficit
(b) Revenue deficit
(c) Fiscal deficit
(d) None of the above

(vii) According to Buchanan thesis of Public Debt,
(a) Borrowing from public shifts the burden to future generations.
(b) Borrowing from public doesn't shift the burden to future generations.
(c) Borrowing from public equally divide the burden between and future generations.
(d) None of these

(viii) Deficit financing is non -inflationary to the extent of

(a) Rate of growth of the economy
(b) Rate of growth of investment
(c) Rate of growth of savings
(d) Rate of growth of capital formation

(ix) Debt management does not aim at

(a) Cost effective servicing
(b) Stabilising prices
(c) Proper timing and issuing of government bonds
(d) Social service funds

(x)Interest payment is an item of
(a) Revenue Expenditure
(b) Capital Expenditure
(c) Plan Expenditure
(d) None of the above

Section-B: Short Answer Type Questions
Each question carries 8 marks. ***5*8=40***

Q1)Derive the necessary conditions for optimum allocation of resources when private goods are produced along with the public goods.

OR

Define the following terms
(a) Market failure (b) Free rider Problem (c) Externalities

Q2) What do you understand by tradeoff between equity and efficiency?

OR

Explain the benefit theory in justification of taxation.

Q3) How and when public debt is burdensome in nature?

OR

What are the principles of public debt management?

Q4) What factors are responsible for hike in public expenditure in India since independence?

OR

Define (i) Revenue Account and (ii) Capital Account.

Q5) What do you understand by (i) Zero base Budgeting (ii) PPBS (iii) Fiscal Deficit (d) Revenue Deficit.

OR

Discuss the relevance of fiscal policy especially in context of Indian economy.

Section-C: Long Answer Type Questions

Attempt any three questions. Each question carries 15 marks ***3*15=45***

Q6) What criteria defines the allocation of resources between public and private sector in case of Samuelson's theory?

Q7) Discuss the concept of optimal taxation with special reference to its practical utility.

Q8) Is it possible to transfer the burden of current public expenditure on to future generations by financing it through public debt? If yes, justify

Q9) Discuss the price determination of public enterprises and public utilities.

Q10) Discuss the role of budgetary policy in economic development of a country.