

2021

ECONOMICS — HONOURS

Paper : CC-13

(Public Economics)

Full Marks : 65

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

1. Answer *any ten* questions :

2×10

- (a) State the characteristics of public goods.
- (b) What are consumption externalities?
- (c) What do you understand by fiscal deficit?
- (d) What do you understand by capital account?
- (e) Distinguish between direct and indirect taxes.
- (f) What is an *ad valorem* tax?
- (g) Define non-tax revenue resources.
- (h) What do you mean by tax incidence?
- (i) What is a Laffer Curve?
- (j) What is meant by double taxation of savings?
- (k) What is an expenditure tax?
- (l) What do you mean by leakage in the context of a grant?
- (m) What is debt-service ratio in case of external borrowing?
- (n) What is GST?
- (o) What do you understand by fiscal federalism?

Group - B

Answer *any three* questions.

5×3

- 2. Why do externalities cause market failure?
- 3. Explain the regulatory function of government and its economic significance.

Please Turn Over

4. Discuss the solution proposed by Lindahl regarding the optimal provision of public goods.
5. Explain the concepts of vertical and horizontal equity under the Ability to Pay principle of taxation.
6. What are the different concepts of deficit in government budget?

Group - C

Answer *any three* questions.

7. Show how the usual Pareto optimality condition will be revised in a two person economy with one private good and one public good and a concave production possibilities frontier. 10
 8. "The equal sacrifice principle implies progressive taxation" — do you agree with this view? Give reasons for your answer. 10
 9. Derive the fiscal multiplier due to change in government expenditure in the case of
 - (a) Lump sum tax
 - (b) Income tax. 5+5
 10. Distinguish between internal and external public debt. Does an internal debt impose any burden on future generations? Explain. 4+6
 11. Analyse separately the conditions under which a proportional tax on wage income
 - (a) leaves the supply of work effort by a worker unchanged.
 - (b) reduces the work effort. 10
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