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(May)

ECONOMICS

(Major)

Course : 402

(Public Economics)

Full Marks : 80

Pass Marks : 32/24

Time : 3 hours

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

1. Answer/Choose the correct answer of the following : 1×8=8

(a) Maximum social welfare in public finance is attained when

(i) marginal disutility of taxation is greater than the marginal utility of public expenditure

- (ii) marginal disutility of taxation is less than the marginal utility of public expenditure
 - (iii) taxation and public expenditure are at the lowest level
 - (iv) None of the above
- (b) The whole burden of a tax will be borne by the sellers if
- (i) the demand for a commodity is inelastic and supply is perfectly elastic
 - (ii) the elasticity of demand for a commodity is same as the elasticity of supply of the commodity
 - (iii) the demand for a commodity is perfectly elastic and supply is inelastic
 - (iv) $E_d > E_s$

(c) How can vertical equity in the distribution of tax burden be best achieved?

- (i) By adopting proportional tax structure
- (ii) By adopting progressive tax structure
- (iii) By adopting regressive tax structure
- (iv) By adopting degressive tax structure

(d) Which one of the following statements is correct?

Capital levy is a

- (i) once-for-all inheritance tax
- (ii) once-for-all estate duty
- (iii) once-for-all capital gains tax
- (iv) tax on fixed deposits

(e) Which of the following economists strongly argued that 'the Government should not make profits and follow a policy of no profit and no loss'?

- (i) Fabians
- (ii) Taylor
- (iii) V. K. R. V. Rao
- (iv) All of the above

- (f) Write one example of short term public debt.
- (g) According to the critical limit hypothesis, when the share of government sector exceeds 25% of the national income, then
- (i) people become less productive
 - (ii) inflation occurs even under balanced budget
 - (iii) Both (i) and (ii)
 - (iv) Neither (i) nor (ii)
- (h) To contain inflation the Government can resort to
- (i) increase public expenditure
 - (ii) repayment of public debt
 - (iii) buying bonds and securities
 - (iv) selling bonds and securities

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

4×4=16

- (a) Merit goods vs. private goods
- (b) Advantages of direct tax over indirect tax
- (c) Critical limit hypothesis
- (d) Sources of public borrowing
- (e) Role of public enterprises in developing countries

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

3. (a) Explain the reasons for growth of public sector in modern economy. Do you think that the public sector has to play its role even in a market economy? Give justification. 5+6=11

Or

- (b) Explain with a diagram the principle of maximum social advantage. Do you think it is correct to assume that all public expenditures create welfare and all taxes involve sacrifice? Give justification. 7+4=11

4. (a) What are the characteristics of a good tax system? Explain how are the volume and composition of production in an economy affected by taxation. 4+7=11

Or

- (b) Define goods and services tax (GST). What are its advantages and disadvantages? 3+4+4=11

5. (a) Explain with diagram the Wagner's law of increasing state activities. What are the differences between Wagner's law and Wiseman-Peacock hypothesis of public expenditure? 7+4=11

Or

- (b) Mention any two primary causes of growth in public expenditure. Explain the different types of control of public expenditure. 4+7=11

6. (a) Write the meaning of public debt management policy. Explain the important features of debt management policy. 3+8=11

Or

- (b) Explain the meaning of burden of public debt in respect of—
- (i) direct money burden;
 - (ii) indirect money burden;
 - (iii) direct real burden;
 - (iv) indirect real burden. 3+3+3+2=11

7. (a) What are the different forms of public enterprises? Explain with diagram how monopoly exploitation can be removed by following the marginal cost pricing policy for public utility services. 4+8=12

Or

- (b) (i) Explain the average cost of production theory of pricing public utilities. 6
- (ii) Justify the principle of making profit for public enterprises. 6
