

2017

(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. Choose the correct answer of the following :

1×8=8

(a) According to Musgrave, the major
function of public finance is

- (i) allocation function
- (ii) distribution function
- (iii) stabilization function
- (iv) All of the above

(b) An important characteristic of a pure public good is that it would be subjected to the law of

(i) decreasing costs

(ii) increasing costs

(iii) constant costs

(iv) All of the above

(c) Which hypothesis is related to the tolerance level of taxation?

(i) Wiseman-Peacock hypothesis

(ii) Critical limit hypothesis

(iii) Wagner's law

(iv) None of the above

(d) An excise duty is fully borne by the buyers, when price elasticity of demand for the product is

(i) ∞

(ii) 0

(iii) 1

(iv) between 1 and ∞

(e) What are the ways through which the Central Government can finance expenditure?

(i) By printing currency and borrowing

(ii) By imposing taxes

(iii) Neither (i) nor (ii)

(iv) Both (i) and (ii)

(f) Peacock-Wiseman hypothesis supports in a much stronger manner the possibility of

(i) a continuous upward trend in public expenditure

(ii) a downward trend in public expenditure

(iii) a constancy of public expenditure

(iv) a mixed trend in public expenditure

(g) In the case of external debt, there is a transfer of payment from the debtor country to the creditor country. This burden refers to

(i) direct money burden

(ii) direct real burden

(iii) indirect money burden

(iv) indirect real burden

(h) Public enterprises in India have developed only in

(i) key and public industries

(ii) service industries

(iii) consumer goods industries

(iv) All types of industries

2. Write short notes on any *four* of the following
(**within 150 words** each) : 4×4=16

(a) Public goods vs. private goods

(b) Characteristics of a good tax system

(c) Economic and social causes of growth in public expenditure in less developed countries

(d) Role of external debt

(e) Public utilities

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

3. (a) Write the meanings of merit goods, mixed goods and club goods. Discuss the role of government in providing merit goods. 6+5=11

Or

(b) Explain the role of public finance in less developed countries. Do you notice any structural change in public finance operations in the context of globalization? Justify. 7+4=11

(6)

4. (a) Define taxable capacity. How can it be measured? Explain the significance of taxable capacity. $2+5+5=12$

Or

- (b) Analyze the theory of 'ability to pay' in imposing taxes. Which is the best index of ability to pay? $9+3=12$

5. (a) Explain the Wiseman-Peacock hypothesis of public expenditure. Does it provide a better understanding of the nature of growth of public expenditure? $8+3=11$

Or

- (b) Discuss the roles of public expenditure in 'economic growth' and 'socio-economic stability' of the less developed economies. $6+5=11$

6. (a) What is public debt? What are the effects of public borrowing in an economy? Elucidate. $2+9=11$

(7)

Or

- (b) Can the burden of public debt be shifted to future generations? Justify. $1+10=11$

7. (a) Describe the role of public enterprises in the less developed countries. 11

Or

- (b) What are the main objectives of public enterprises? Briefly explain the price policy of public enterprises with a special reference to 'no profit no loss theory'. $4+7=11$
