

4 SEM TDC ECO M 2

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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

(2)

(3)

(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)** : $4 \times 4 = 16$

- (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
