MA ECONOMICS
THIRD SEMESTER [SPECIAL REPEAT]
PUBLIC ECONOMICS
MEC – 301
[USE OMR SHEET FOR OBJECTIVE PART]

SET A

Duration: 3 hrs.

Full Marks: 70

Objective

Time: 30 mins.

Marks: 20

Choose the correct answer from the following:
$1 \times 20 = 20$

1. Pollution is an example of market failure because
   a. the equilibrium price is higher than the efficient price
   b. the equilibrium price is less than the efficient price
   c. property rights are poorly distributed
   d. the market does not produce enough of the good

2. When there are negative externalities, the price should be adjusted so that it is equal to
   a. social cost
   b. private cost
   c. the amount of the externality
   d. zero

3. Suppose that farmers decide individually whether or not to get their own cattle vaccinated against anthrax. Which of the following results?
   a. There is market failure because the equilibrium quantity of vaccine is too low.
   b. There is market failure because the equilibrium price of vaccine is too low.
   c. There is market failure because both the equilibrium price and quantity of vaccine are too high.
   d. There is no market failure because the market will tend toward equilibrium

4. The private market will not provide enough of a pure public good because of
   a. negative externalities
   b. obligatory controls over production methods
   c. public choice not to produce the good
   d. the free rider problem

5. Those goods whose consumption and use are to be encouraged are called
   a. Private good
   b. Public good
   c. merit good
   d. mixed good

6. The concept of Merit good was introduced by
   a. Dalton
   b. Keynes
   c. R A Musgrave
   d. None of these

7. Education is an example of
   a. Private good
   b. Public good
   c. Merit good
   d. Mixed good

8. Governments provide pure public goods such as national defense because
   a. Governments know how to produce these goods
   b. of the free-rider problems that result in underproduction by private markets
   c. People do not value national defense very highly.
   d. of the potential that private firms will make excess profits.

9. Redemption of public debt means:
   a. Repayment of debt
   b. Repayment of FDI
   c. Additional borrowing
   d. Deficit financing

10. Short-period debts are called as:
    a. Unfunded debts
    b. Funded debts
    c. Redeemable debts
    d. None

11. Treasury bills issued by the Government are in the nature of:
    a. Funded debts
    b. Floating debts
    c. Irredeemable debts
    d. None

12. Public Expenditure increases
    a. Interest rate
    b. Employment
    c. Exports
    d. Imports

13. When the government raises revenue by borrowing from within the country is known as
    a. Voluntary debt
    b. compulsory Debt
    c. internal debt
    d. external debt

14. Which one of the following is a tax base
    a. Income
    b. utility
    c. Intelligence
    d. No of these

15. A tax levied at 5 percent on the first Rs. 10,000 of income, 10 percent on the next Rs 20,000 and 12 percent on the next Rs 30,000 would be:
    a. Progressive
    b. Digressive
    c. Regressive
    d. Proportional

16. Deficit financing includes
    a. Borrowing from the Central Bank
    b. Issues of new currency by the Government
    c. Withdrawal of past accumulated cash balance by the government
    d. All the above

17. Primary deficit means:
    a. Fiscal deficit- Interest
    b. Revenue deficit-interest payments
    c. Fiscal deficit+ revenue deficit
    d. Budgetary deficit

18. Federal Finance deals with
    a. State finances
    b. Finances of railways
    c. Local bodies
    d. Centre-State financial relations

19. The most important aim of fiscal policy in a developing country is
    a. economic stability
    b. economic development
    c. regional balance
    d. None of these

20. Salaries and pensions paid by governments are called:
    a. Capital expenditure
    b. Development expenditure
    c. Revenue expenditure
    d. Plan Expenditure

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(Descriptive)

[Answer question no.1 & any four (4) from the rest]

1. Explain the main objectives of taxation policy in a Developing country.   10

2. a) What do you mean by positive and negative externalities? Give   5+5=10
   examples.
   b) Explain Coase's theorem in public economic policy.

3. a) What are the main provision of public good?   4+6=10
   b) What is social goods ,merit goods and mixed goods? Explain.

4. a) Explain Samuelsion's pure theory of public expenditure.   6+4=10
   b) Elaborate how to measure costs and benefits in public expenditure.

5. a) Discuss the canons of taxation.   5+5=10
   b) What are the different incidences of corporate taxation?

6. a) What do you mean by burden of public debt? Elaborate how the   6+4=10
   burden gets transferred to future generation.
   b) . Write note on debt management in fiscal federalism.

7. a) Describe the various components of Government budget.   5+5=10
   b) What is incremental budget, Zero-based budget and planned
   programming budget?

8. a) What do you mean by Fiscal policy? What are the main rolls of   3+3+4=10
   Fiscal policy in economic development?
   b) Elaborate *Crowding-out* Effect.

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