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962 (PFP)

[20-HKPGDEN-M2S(N)21J]

MA 2nd Semester (New) Exam., 2020

ECONOMICS

[PGEC–S2–04]

(Public Finance and Policy)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Answer the following questions in *one* or *two* sentence(s) each : 1×8=8

(i) What is meant by direct tax?

(ii) Mention the marginal cost of supplying an additional unit of public good.

(iii) Mention the concept of club goods.

(iv) Define the term 'public goods'.

(v) Cite an example of positive externality.

(vi) State the benefit principle of taxation.

(vii) What is meant by crowding out?

(viii) Define the term 'capital receipts'.

(b) Choose the correct option of the following : 1×4=4

(i) Which of the following is not a source of capital receipts?

1. Borrowing
2. Tax
3. Disinvestment
4. Loan recovery

(ii) Who was the Chairperson of the First Finance Commission of India?

1. K. C. Pant
2. Mahavir Tyagi
3. K. Santhanam
4. K. C. Neogy

(iii) Who authored the book, *The Logic of Collective Action*?

1. Kenneth Arrow
2. Amartya Sen
3. Mancur Olson
4. Duncan Black

(iv) Who authored the book, *Principles of Public Finance*?

1. Dalton
2. Pigou
3. Musgrave and Musgrave
4. Bastable

(c) Fill in the blanks : 1×4=4

(i) The need of a _____ in an economy is felt when market fails to allocate resources efficiently.

(ii) _____ are payments made by the government for the purpose of redistributing income and wealth without procuring goods and services in return.

(iii) The _____ rate may be derived by dividing the total income tax owed by the total income of the taxpayer.

(iv) _____ burden of public debt arises due to borrowing from foreign countries.

2. Answer any *five* of the following questions (each within *50* words) : 2×5=10

(a) Mention any two similarities between public finance and private finance.

(b) Define the term 'public expenditure'.

(c) What is meant by primary deficit?

(d) What is meant by incidence of taxation?

(e) Define the term 'balanced budget'.

(f) What is meant by horizontal distribution of resources?

3. Answer any *four* of the following questions (each in around *150* words) : 3×4=12

(a) Briefly discuss the concept of tax shifting.

(b) Discuss the major functions of a fiscal policy.

(c) Briefly discuss the characteristics of public goods.

(d) Discuss the concepts of average and marginal tax rates with the help of appropriate example.

(e) "Fiscal policy can promote macro-economic stability." Discuss the statement.

4. Answer any *three* of the following questions (each in around *250* words) : 6×3=18

(a) Discuss the median voter model put forward by Anthony Downs with the help of appropriate figure.

(b) Discuss the Coase model of voluntary bargaining in small groups.

(c) Discuss the allocative effects of excise subsidies with the help of appropriate figure.

(d) Discuss the different internal and external burdens of public debt.

5. Answer any *three* of the following questions (each in around *300* words) : 8×3=24

(a) Discuss various objectives of fiscal policy in a developing economy.

(b) Discuss the different types of public budget.

(c) Discuss the role of grants-in-aid in dealing with the horizontal imbalances in India.

(d) Discuss the Samuelson's theory of public expenditure with the help of appropriate figure.

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