Reg. No. : ....

Code No. : 5408   **Sub. Code : PESM 43**

M.A. (CBCS) DEGREE EXAMINATION, APRIL 2021.

Fourth Semester

Economics — Core

PUBLIC ECONOMICS AND PUBLIC FINANCE

(For those who joined in July 2017 onwards)

Time : Three hours   Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1.   Public goods are difficult for a private market to provide due to :

     (a)   The Rivalness problem

     (b)   The Public good problem

     (c)   The tragedy of the commons

     (d)   The Free-rider problem

2. In the case of a negative externality, the social marginal cost will
   (a) exceed the private marginal cost
   (b) be equal to private marginal cost
   (c) fall short of private marginal cost
   (d) bear no significant relation to private marginal cost

3. The resources in the economy do <u>not</u> include
   (a) Land   (b) Labour
   (c) Capital   (d) Demand

4. Economists reason that the optimal decision is to continue any activity up to the point where the
   (a) Marginal benefit is zero
   (b) Marginal benefit is greater than the marginal cost
   (c) Marginal cost is zero
   (d) Marginal benefit equals the marginal cost

5. Which of the following is an indirect tax?
   (a) Income Tax   (b) Profit Tax
   (c) Wealth Tax   (d) Entertainment Tax

6. The most important source of revenue to the states is :
   (a) Sales tax   (b) Service tax
   (c) Excise duty   (d) None of the above

7. If the public debt can be financed without adding to inflation (or) causing interest rates to raise, it is said to be :

    (a) only a burden of future generations

    (b) in primary balance

    (c) following the golden rule the public finances

    (d) sustainable

8. Deficit financing means

    (a) Public expenditure in excess of public revenue

    (b) Public revenue in excess of public expenditure

    (c) Both

    (d) None of the above

9. The First Finance Commission was established in 1951 under ———————— of the Indian Constitution.

    (a) Article 279   (b) Article 281

    (c) Article 280   (d) Article 282

10. Where was the first Municipal Corporation set up in India?

    (a) Bombay   (b) Calcutta

    (c) Madras   (d) Surat

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Explain the provisions of public goods.

                    Or

     (b) Write a brief note on 'Negative Externalities'.

12. (a) Give the views of the pigon on 'Resource
          Allocation'.

                    Or

     (b) State the normative approach to optimal
          budget.

13. (a) Narrate the non-tax revenue.

                    Or

     (b) Write a brief note on 'Wagner Law'.

14. (a) State the burden of public debt.

                    Or

     (b) Indicate the purpose of the budget.

15. (a) Explain the sources of Local Finance.

                    Or

     (b) Outline the recommendations of 13th Finance
          Commission.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) How far is private preference of public goods desirable? Give arguments.

Or

(b) Briefly discuss Dolbear model of externalities.

17. (a) Examine the simple model of the optimal budget.

Or

(b) Explain the gains from Optimal Budget.

18. (a) Discuss the reasons for the growth of public expenditure.

Or

(b) Critically examine Colin Clark Hypothesis.

19. (a) Analyse the various methods of redemption of public debt.

Or

(b) How to reduce the inflationary pressure of deficit financing?

20. (a) Review in detail Twelfth Finance Commission.

Or

(b) Enumerate the shortcomings of Federal Finance in India.

————————