

PG Odd Semester (CBCS) Exam., December—2016

UNIT—II

ECONOMICS

(1st Semester)

Course No. : EC-105 (C)

(Public Finance)

Full Marks : 75

Pass Marks : 30

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

Answer **five** questions, taking **one** from each Unit

UNIT—I

1. Explain the causes of market failure. How can Coasian solution help to correct market failure arising from common property resources? 7+8=15
2. (a) What are public goods?
(b) Explain the CGL mechanism for overcoming the free rider problem.
(c) Write a short note on the theory of second best. 2+8+5=15

3. State Wagner's law of increasing state activities. Discuss the role of public expenditures in a modern welfare state. 7+8=15
4. (a) Distinguish among progressive, proportional and regressive tax using suitable diagrams.
(b) Explain the 'ability to pay' theory of taxation. 6+9=15

UNIT—III

5. What is burden of public debt? How can it be measured? Show how the burden of public debt is related to growth in national income. 2+3+10=15
6. (a) Discuss different types of public debt.
(b) Explain the concept of Ricardian equivalence.
(c) Elaborate Musgrave's theory of inter-generational shifting of the burden of public debt. 3+5+7=15

UNIT—IV

7. How does the budget serve as an important tool of economic policy for the government? Explain various types of budget classification and their significance. Derive an expression for the government expenditure multiplier.
5+5+5=15
8. Define fiscal policy. Explain the efficiency of fiscal policy in achieving economic goals under fixed and flexible exchange rate regimes.
3+6+6=15

UNIT—V

9. What do you mean by horizontal equity and vertical equity in the distribution of financial resources between Centre and States? What role is played by the Finance Commission in ensuring fiscal balance? Highlight the important recommendations of the 14th Finance Commission.
5+5+5=15
10. (a) What are inter-governmental grants?
(b) What are various types of grants? Explain the impact of such type of grants on the receiving economy.
3+3+9=15

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