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Name Inthima P.KReg. No. JMAPECD09**SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2015**

(CCSS)

Economics

ECO 2C 09—PUBLIC FINANCE AND POLICY

(2013 Admission onwards)

Time : Three Hours

Maximum : 80 Marks

Part A (Objective Type Questions)*Answer all questions.**Each question carries 1 mark.*

1. Free rider problem arises in :
(a) Private Goods. ☐
(b) ☒ Public Goods.
(c) Merit Goods. ☐
(d) None of the above. ☐
2. Non-excludability is a characteristic of :
(a) Private Goods. ☐
(b) Merits Goods. ☐
(c) ☒ Public Goods. ☐
(d) None of the above. ☐
3. Divergence between Private Gains and Social Gains :
(a) Consumer surplus. ☐
(b) Producer surplus. ☐
(c) ☒ Externalities. ☐
(d) None of the above. ☐
4. Pignonvian tax fall under :
(a) Benefit principle. ☐
(b) Cost of service theory. ☐
(c) ☒ Ability to pay theory. ☐
(d) None of the above. ☐
5. Final resting place of a tax burden is :
(a) Impact. ☐
(b) ☒ Incidence. ☐
(c) Shifting. ☐
(d) None of the above. ☐
6. Wagner's law is about :
(a) Public Revenue. ☐
(b) ☒ Public Expenditure. ☐
(c) Public Debt. ☐
(d) None of the above. ☐
7. Diffusion theory explains :
(a) Incidence of tax. ☐
(b) ☒ Shifting of tax. ☐
(c) Impact of tax. ☐
(d) None of the above. ☐

Turn over

8. The study of behaviour of all individual decision-making units :
 (a) Partial equilibrium. (b) Partial disequilibrium.
 (c) General equilibrium. (d) None of the above.
9. The Economist who rejected the theory of balanced budget :
 (a) Adam Smith. (b) Ricardo.
 (c) J.M. Keynes. (d) None of the above.
10. The champion of Functional Finance :
 (a) R.A. Musgrave. (b) A.P. Lerner.
 (c) A.C. Pigou. (d) None of the above.

(10 × 1 = 10 marks)

Part B

Answer any eight questions.
 Each question carries 5 marks.

- ✓ 11. Briefly explain the role of Government in the National economy.
- ✓ 12. Explain Tiebout hypothesis.
13. Write a short note on Pigeonvian tax.
- ✓ 14. What is incidence of tax ? Briefly explain shifting and incidence of tax.
- ✓ 15. What is Functional Finance ? Explain.
16. How to measure budgetary deficit ?
17. Explain the pricing of Public Utility Services.
18. What is subsidy ? Justify the rationale for subsidies.
19. Briefly explain Domar's stability condition.
20. Explain the theory of inter-government transfers.
21. Explain and illustrate GST.
22. List the prominent centrally sponsored schemes. Examine the federal issues of them.

(8 × 5 = 40 marks)

Part C

Answer any two questions.
 Each question carries 15 marks.

23. Discuss in detail the circumstances that lead to market failure. Justify the rationale for Government intervention in such circumstances.
24. Explain and illustrate theory of optimal taxation. Examine its applicability in Indian conditions.
25. What are the macro economic impact of deficits, debt burden and inter-generational equity ? Explain.
26. Trace the trends and sources of revenue for the Central and State Governments and local bodies in India.

(2 × 15 = 30 marks)