

B.A. (Honours) Examination, 2022

Semester-V (CBCS)

Economics

Course – DSE-II(A) (Public Economics)

Time: Three Hours

Full Marks: 60

Questions are of value as indicated at the margin.

Answer any five questions.

1. In a pure exchange economy framework and in the context of 1st and 2nd welfare theorems, why does a conflict between efficiency and equity arise? Can the welfare theorems solve this conflict? In this context, also discuss why does the market fail to work sometimes?
4+5+3
2. What is free riding problem in pure public good (PPG)? In this context, prove that the amount of PPG provided through the voluntary condition model can be pareto efficient allocation if and only if the society is populated by only one person.
3+9
3. What is externality and how this problem can be internalized? How does the Coase theorem solve the problem of externality – discuss with assumptions and suitable diagrams.
3+9
4. Between in-kind and cash transfer which one do you prefer? Give reasons with proper discussions. Does an income transfer via the subsidy programme always benefit the poor?
8+4
5. What is the difference between statutory and economic incidence of taxation? In case of an indirect tax regime, the sharing of tax burden depends on what? Illustrate a monopoly situation to show the changes that might take place due to incidence of a unit tax?
2+3+7
6. Show the following: (a) commodity tax causes excess burden; lump sum tax does not cause excess burden and (c) income tax causes excess burden.
4+4+4
7. Show that to calculate excess burden (EB) we must need a compensated demand curve instead of an ordinary demand curve and hence show that $EB = \frac{1}{2}(\epsilon PQT^2)$ where ϵ is compensated elasticity of demand, T is the tax rate with P & Q being the initial price & quantity respectively.
6+6
8. Write short notes on any two of the following:
(a) Positive externality (b) Cap vs. Trading in controlling pollution (c) Club Good.
6+6