

MA(Economics) Examination2022
Semester-III
Economics
Course: OP-4 (Optional)
(Public Economics and Policy)

Questions are of value as indicated in the margin

Time: 3 Hours

Full Marks: 40

Answer any Four Questions

1. (a) Discuss different ideas of social justice. Is social justice as equality necessarily efficient?
(b) When a public policy is proposed for which total benefit exceed total costs but some people lose, would you insist on an actual compensation for losers before agreeing to implement the policy?
6+4=10
2. (a) What is the difference between the summation of benefits to establish total demand for private and public goods?
(b) 'Free riding results in efficient provision of a public good'. Prove the statement with a public good 'Prisoners' dilemma' example.
4+6=10
3. For National defense as a public good, how does the Prisoners' dilemma arise both between countries and within a country?
5+5=10
4. (a) How does the Pigouvian Tax restore efficient outcome by internalizing externalities?
(b) If the equation of the inverse demand function in a perfectly competitive market is $P=450 - 2Q$, the equation of the private MC curve is $MC_p=30+2Q$, the marginal externality cost is $MC_e=Q$, then find, (i) the price and quantity in competitive equilibrium (ii) the socially optimum price and quantity (iii) What the rate of Pigouvian Tax per unit of output would achieve the social optimum?
4+6=10
5. (a) Define excess burden of taxation. How do you measure it?
(b) What is the efficient Ramsey Rule for efficient commodity Taxation in a two goods economy? How is the rule derived?
4+6=10
6. (a) Can a monopolist shift the burden of a tax per unit quantity entirely on to the consumers? Explain.
(b) How does the shift of tax burden depend on the supply and demand elasticities?
4+6=10
7. Discuss the advantages and limitations of a centralized government on the basis of allocation, distribution and stabilization function.
10
8. Write Short notes: (any Two) 5+5=10
 - (a) Politics of Logrolling
 - (b) Voting cycle and Agenda Manipulation.
 - (c) Coase Theorem.
 - (d) Lindahl Mechanism