

MA(Economics) Examination,2023
Subject: Public Economics and Policy
Sem-III Paper—OP-4(Optional)

Time : 3 Hours

Full Marks: 40

Questions are of value as indicated in the margin

Answer any four from the following

10x4=40

1. (a) Discuss the different ideas of social justice. Is social justice as equality necessarily efficient?
(b) Show using a prisoners' dilemma example, absence of rule of law produces inefficiency.

6+4=10
- 2.. (a) What is an information problem in the context of optimal provision of a public good?
(b) Does government intervention necessarily solve the problem? Explain.
(c) What did Lindahl propose to solve the information problem?

2+3+5=10
3. (a) Can free riding be impossible? Explain it with an appropriate example.
(b) Can free riding be efficient? Give an example and logically explain why it is so.

5+5=10
4. (a) What is the relation between single-peaked preferences and stability in majority voting equilibrium?
(b) Show how multi-peaked preferences give rise to voting cycle.
(c) "Public spending determined by a median preference pleases only the median voter" Does this statement suggest that the median voter is dictating public choice? Can the choice by the median voter be efficient? Explain.

3+3+4=10
5. (a) How is Coasean approach different from Pigouvian approach in internalizing external costs in production?
(b) The equation of the inverse demand function in a perfectly competitive market is $P=400 - 2Q$, the equation of the private MC curve is $MC_p=25+2Q$, the marginal externality cost is $MC_e=Q$. Then find, (i) What is the price and quantity in competitive equilibrium? (ii) What is the socially optimum price and quantity? (iii) What rate of Pigouvian Tax per unit of output will achieve the socially optimum?

4+6=10
6. (a) What is the efficient Ramsey Rule for efficient commodity taxation in a two good economy? How is the rule derived?
(b) Is Ramsey rule progressive? Explain. Explain the concepts of Vertical and Horizontal Equity.

5+5=10
7. (a) Can a monopolist shift the entire burden of a unit tax on the consumers? Explain..
(b) How does the shift of tax burden depend on the supply and demand elasticities?

4+6=10
8. Discuss the advantages and limitations of a centralized government on the basis of allocation, distribution and stabilization function.