B.A. (Honours) Examination, 2017
Semester-VI
Economics
Course: H-16
(Public Economics)

Time: 3 Hours **Full Marks: 40**

Questions are of value as indicated in the margin.

Answer ***any four*** questions

1. a) Define Pareto efficiency and derive the Pareto optimality condition for both consumption and production.
   b) In the light of two welfare theorems. Discuss and compare between equity and efficiency. 4+6
2. a) Prove the Samuelson condition for optimum provision of pure public good.
   b) How does the condition differ for the optimum provision of private good?
   c) Discuss in this context, the condition for optimum provision of a 'club' good. 4+2+4
3. a) Clearly state the Coase theorem and its assumptions.
   b) Show that irrespective of nature of assigning property rights, the Coasian solution is an optimal one from social view point. 3+7
4. a) If you are a social planner, discuss which tool would you opt for between and output tax and an emission fee in case of a 'dirty' good production and why.
   b) How does one choose between 'pollution cap' and emission fee in case there is information asymmetry about cost of abatement? 4+6
5. a) Discuss with examples the difference between statutory and economic incidence of tax.
   b) Why, according to you, the incidence of unit tax is independent of whether it is levied on consumers or producers, in a partial equilibrium competitive framework? 3+7
6. a) How is market distorted when tax is imposed in a competitive framework?
   b) Under this circumstance, show that how is excess burden generated?
   c) Show that the lump sum tax does not generate any excess burden. 2+4+4
7. a) Why do we need a compensated demand curve to measure the amount of excess burden?
   b) Show that even a subsidy can also entail an excess burden and hence measure the amount of excess burden of subsidy in terms of compensated elasticity of demand. 4+6
8. Write short notes on:
   a) In kind vs. cash transfer
   b) Positive externality and socially optimal level of output. 7+3