

M.A. Examination, 2019

Semester-IV

Economics

Course: XV (Group-B)

(Public Economics)

(For Back Candidates)

Time: 3 Hours

Full marks: 40

Questions are of value as indicated in the margin.

*Answer **any four** questions.*

1. (a) What characteristics does a public good have?
(b) What you are stuck in jam on a highway what characteristic “The highway” as a public good loose?
(c) Distinguish between horizontal summation and vertical summation of demand curves with appropriate diagrams.
(d) Show with a pay-off matrix that voluntary payment for public goods is a case of the prisoner’s dilemma. 1+1+4+4=10
2. (a) For national defense as a public good, how does the prisoner’s Dilemma arise both between countries and within a country.
(b) What are the personal costs of defense against terror? 6+4=10
3. (a) How does choice of the discount rate affect decision based on cost-benefit analysis?
(b) For the following information decide which project is chosen and who pays the CLARKE-Tax and how much?

	Person 1	Person 2	Person 3
Project A	70	80	20
Project B	30	50	80

- (c) Why is the locational mechanism an effective way of resolving the public good information problems? 3+3+4=10
4. (a) How are Coasean and Pigouvian responses to externalities qualitatively different?
(b) What problems do you identify with the Pigouvian Subsidy System?
(c) Discuss the failures of Coase Theorem. 4+2+4=10
5. (a) Define Excess burden.
(b) How do you measure the excess burden of an income tax.
(c) Derive the efficient income tax rule proposed by Ramsey.
(d) Do you consider Ramsey rule ensures social justice? Give reasons for your answer. 2+2+4+2=10

P.T.O.

(2)

6. (a) Make a case in favor for Centralized government over a decentralized one with regard to stabilization problem.
- (b) Make a case in favor for the decentralized government over a centralized one with regard to the delivery of a public good. 6+4=10
7. (a) State decentralization theorem.
- (b) How is the optimal size of a jurisdiction determined?
- (c) What do you mean by costs of collective decision making? How does it pose a problem to the determination of the optimal size of a jurisdiction? 2+4+2+2=10
8. Write short notes on the following:
- (a) Voting Cycle and agenda manipulation.
- (b) Politics of logrolling.
- (c) Volunteer type public goods.
- (d) Tragedy of Commons.
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