

B.A. (Honours) Examination, 2018
Semester-VI
Economics
Paper-H-16 (Core)
(Public Economics)

Time: Three Hours

Full Marks: 40

Questions are of value as indicated in the margin.

Answer *any four* questions

1. (a) In a framework of pure exchange economy derive the Pareto-optimality conditions for consumption and production under general equilibrium.
(b) In this context state the 1st and 2nd welfare theorem and point out the limitations. 5+5
 2. (a) In terms of optimum provision, how does a pure public good differ from that of a private good – illustrate.
(b) Why is the provision of pure public good, created through the voluntary contribution, not Pareto-optimum? 4+6
 3. (a) Define ‘externality’ and state its characteristics.
(b) Between various private and public solutions of externalities, which according to you is/are more acceptable – give reasons. 3+7
 4. In a dirty good industry, two firms that differ in their abatement cost structure, create huge pollution. Show that government does better by selling and allowing permit trading than direct control to restrict pollution efficiently. 10
 5. (a) As a social planner, for income redistribution, if you need to choose between direct cash transfer and in-kind transfer, what will you opt for and why?
(b) Show that the subsidy programme may not always benefit the targeted people? 7+3
 6. (a) Check the results of incidence of ad-valorem both on consumers and suppliers – are those same?
(b) Given (i) infinitely elastic supply curve with normal demand curve and (ii) absolutely inelastic demand curve with normal supply curve, show the sharing of burden under advalorem tax? 6+(2+2)
 7. (a) What is excess burden of taxation? Why does the lump-sum tax not generate any excess burden? How is the efficiency condition violated once tax is imposed?
(b) Show that excess burden of taxation will be created even if:
(i) the demand curve is fully inelastic.
(ii) income tax is imposed. 6+4
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