

M.A. Examination, 2018
Semester-IV
Economics
Course – XV (Group-B) (Special paper)
(Public Economics)

Time: Three Hours

Full Marks: 40

Questions are of value as indicated in the margin

Answer **any four** from the following

1. (a) Define a Weakest-link Public Good.
(b) Show with an appropriate pay-off matrix that the best personal decision, given the decision of the other person is to duplicate the decision of the other.
(c) With the same pay off matrix show that sequential decisions might solve the coordination problem in the provision of a weakest link public good.
(d) What will be the role of the government in this case? 2+4+2+2=10
2. (a) How does high benefit from supply by others change the likelihood of achieving efficient outcomes in case of a volunteer type public good?
(b) For national defense how does prisoner's dilemma arise both between countries and within countries? 5+5=10
3. (a) How do you define an "information problem" regarding public good provision?
(b) Why is locational mechanism an effective way of resolving public good information problem?
(c) How does Clarke Tax solve the public good information problem? Show with an appropriate example. 2+4+4=10
4. Firm S produces steel s , while firm F is a fishery producing fish f . Their total cost functions are $TC_s = s^2$ and $TC_f = f^2 + s$. Steel production occurs before fish production. Both firms are profit maximising perfectly competitive firms facing the market price $P_s = Rs$ 10000/ton and $P_f = Rs$ 2000 per catch respectively.
(a) If the firms were to decide upon their production plans individually what will be the output of steel and fish?
(b) What will be the socially optimal levels of steel and fish production? What kind of tax/subsidy system can achieve these? 4+6=10
5. (a) Explain the incidence of a per-unit tax on a commodity imposed on the demand side.
(b) How does demand and supply elasticities determine the tax burden distribution between producers and consumers? 4+6=10
6. Evaluate the scope of fiscal and monetary policies at a decentralised level to stabilize an economy in comparison with the same at a centralised level. 10
7. (a) Briefly explain the decentralisation theorem.
(b) In the light of decentralisation theorem discuss how the optimal size of a jurisdiction is determined. 2+8=10
8. Write short notes: (**any two**) 5+5=10
 - (a) Lindahl Mechanism.
 - (b) Tragedy of commons.
 - (c) Ramsey Rule and Social Justice.
 - (d) Single peaked and Multi peaked preferences.