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Register Number:

DATE: **10-04-2019**

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**MA ECONOMICS – II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2019**

**EC 8218: PUBLIC ECONOMICS AND FINANCE**

**Time- 2 ½ hrs Max Marks-70**

**This paper contains ONE printed page and THREE parts**

**PART A Answer any FIVE of the following 2 X5=10**

1. What is an impure public good?
2. Define production externality.
3. State the Pareto optimal condition for the combination of public-private goods.
4. State two assumptions of Arrow's Impossibility Theorem.
5. Briefly explain the displacement effect of the Wiseman-Peacock hypothesis.
6. What are rent-seeking activities? Give examples.
7. Distinguish between impact and incidence of taxation.

**PART B Answer any THREE of the following 10x 3=10**

1. What is the marginal benefit and the marginal cost of increasing membership size of club for a given quantity of the club good? Also describe marginal benefit and marginal cost of increasing quantity of good while size is fixed.
2. Discuss a potential problem with using IRR and Benefit-Cost Ratio to compare projects.
3. What is the rationale of Lindhal process? Describe its main drawback.
4. Write a brief note on the burden of public debt.
5. Explain the benefit and ability to pay approaches to taxation.

**PART C Answer any TWO of the following 15 X2=30**

1. Using suitable diagram show the effect of imposition of ad-valorem tax, unit specific tax on equilibrium price-output under monopoly.
2. A) Explain Tiebout hypothesis.

B) Explain the rationale for decentralization.

1. Explain price-distorting subsidy and the consequent excess burden.

**EC 8218\_A\_19**