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| **ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27** |
| **B.Sc. ECONOMICS – VI SEMESTER** |
| **SEMESTER EXAMINATION: APRIL 2017** |
| **ECS 6316- Public Economics** |
| **Time- 3hrs.** |  |  **Max Marks-100** |  |
| **This paper contains ONE printed page and THREE parts** |

**PART A Answer any TEN of the following 3x10=30**

1. State the first and second fundamental theorems of welfare economics.
2. Explain the concept of x-inefficiency.
3. What are club goods? Give two examples.
4. Why does government invest in education?
5. Explain the case for subsidy under natural monopoly.
6. What is tragedy of commons?
7. State any three canons of public expenditure.
8. Distinguish between advalorem and specific tax.
9. Mention the important sources of public borrowing for Government of India.
10. Distinguish between current account and capital account in a budget.
11. Assess the need for local governments in federal finance.
12. Distinguish between vertical equity and horizontal imbalance in the context of federal finance.

**PART B Answer any FIVE of the following 5x5=25**

1. Write a note on Musgrave’s classification of the functions of the state.
2. With the help of a labelled diagram explain thedifferent pricing options in a natural monopoly system.
3. State and explain Wiseman and Peacock hypothesis of growth of public expenditure.
4. Explain the various methods involved in public debt redemption.
5. Write a note on impact, incidence and shifting of burden with respect to a tax.
6. Why are indirect taxes more suitable for a developing country?
7. What are the various objectives of fiscal policy?

**PART C Answer any THREE of the following 15x3=45**

1. Discuss how externalities cause market failure.Explain the public sector solution to externality problem.
2. Prove that Lindhal model of public good provision is Pareto efficient.
3. Explain Wagner’s law of increasing state activity. Using this law analyse the trends in growth of public expenditure in India.
4. Explain the two theories of taxation. Discuss the effect of taxation on the production, distribution and consumption.
5. What is the role of Finance commission in Indian Federal Finance? Critically evaluate the 14th finance commission report.

ECS-6316-A-17