14 (ECO–3) 3026

2022

ECONOMICS

Paper : ECO–3026

(Public Finance)

Full Marks : 80

Time : Three hours

***The figures in the margin indicate
full marks for the questions.***

1. Answer the following within **50** words each :
5×4=20

   (a) Explain the cause and fallout of the free rider problem.

   (b) How is 'tyranny of the majority' averted in public choice ?

   (c) Explain co-efficient of inefficiency with the help of a diagram.

   (d) What do you mean by the term 'Tax capitalisation' ?

2. Answer **any three** within **150** words each :

10×3=30

(a) Discuss how voluntary bargaining can resolve inefficient outcomes arising out of externalities. Explain the postulates of Coase and Meade respectively.

4+6=10

(b) How does Tiebout elucidate the concept of 'voting with feet'? How is it related to the theory of clubs?   8+2=10

(c) Differentiate between revenue account and capital account under the structure of a public budget. Also, mention the importance of a budget in public finance.   6+4=10

(d) What is 'fiscal federalism'? Discuss how intergoverment resource transfer takes place.   3+7=10

(e) Analyse lumpsum and price-distorting tax with the help of indifference curves.

10

3. Answer **any two** of the following : 15×2=30
(a) Derive the equilibrium under the median voter model. In that context, explain the cyclical majority phenomenon.   10+5=15

(b) Explain the possible outcomes arising out of public expenditure in the form of fixed quantity subsidy.

(c) Briefly discuss the two views of incidence of deficit financing. Explain how deficit finance impacts the capital market with the help of a diagram.

8+7=15

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