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**5 SEM TDC DSE ECO (CBCS) 6 (H)**

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( Held in January/February, 2022 )

**ECONOMICS**

( Discipline Specific Elective )

( For Honours )

Paper : DSE-6

( **Public Economics** )

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

1. Choose the correct option/Answer the following : 1×8=8

(a) According to Musgrave, the major function of public finance is

(i) allocation function

(ii) distribution function

(iii) stabilization function

(iv) All of the above

(b) Which of the following goods is not a public good?

- (i) National Highway
- (ii) Indian Railway Service
- (iii) National Defence Service
- (iv) None of the above

(c) Marginal cost of pure public good is

- (i) one
- (ii) zero or close to zero
- (iii) very high
- (iv) equal to price

(d) Consider a factory, located in the middle of nowhere, producing a nasty smell. As long as no one is around to experience the unpleasant odour, what type of externality is produced?

- (i) Positive externality
- (ii) Negative externality
- (iii) Indeterminate from the given information
- (iv) None of the above

- (e) Under the Transfer of Property Act, 1882, vested interest is
- (i) defeated by the death of the transferee
  - (ii) defeated by the death of the transferor
  - (iii) Either or both (i) and (ii)
  - (iv) Neither (i) nor (ii)
- (f) Mention a major item which is kept outside the goods and services tax (GST) net.
- (g) Which of the following is not imposed by the Central Government?
- (i) Corporate tax
  - (ii) Custom duty
  - (iii) Agricultural income tax
  - (iv) SGST
- (h) Public debt raised to finance war is an example of
- (i) short-term debt
  - (ii) productive debt
  - (iii) dead-weight debt
  - (iv) None of the above

2. Write short notes on any *four* of the following (**within 150 words** each) :  $4 \times 4 = 16$

- (a) Distribution function of fiscal policy
- (b) Public goods vs. Private goods
- (c) Fiscal deficit, revenue deficit and primary deficit
- (d) Direct tax structure in the latest union budget
- (e) Externalities

Answer the following questions (**within 500 words** each) :

3. (a) Explain the role of fiscal functions in developing countries. 11

*Or*

(b) What are the differences between Pure and Impure public goods? Explain briefly the characteristics of public goods.  $4 + 7 = 11$

4. (a) "The existence of externalities makes production and consumption of public goods inefficient." Explain with the help of an example. 11

*Or*

(b) Critically discuss Samuelson's theory of public expenditure. 11

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5. (a) Analyze the theory of 'ability to pay' in imposing taxes. Which is the best index of ability to pay? 8+3=11

Or

- (b) Analyze how the incidence of a tax on a commodity is influenced by elasticity of demand and supply. 11

6. (a) Explain four features of Indian tax system. Give an account of major tax reforms since 1991. 4+8=12

Or

- (b) Write a critical note on the importance and effectiveness of tax system in Indian economy. 12

7. (a) Explain the nature and magnitude of public debt in India. Do you think that the Government of India is borrowing too much in recent times? Justify. 7+4=11

Or

- (b) Explain the concept of fiscal deficit in a government budget. What does it indicate? 6+5=11

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