Sl. No. 9956

Name of the Paper: Public Economics

Name of the Course: B.A. (Honours) Economics; Discipline Specific Elective (DSE)

Unique Paper Code: 2273100015 **Maximum Marks: 90**

Semester: V/VII **Duration: 3 hours**

Instructions for Candidates

1. Write your roll number on top immediately on receipt of this question paper.
2. This question paper contains seven questions. Attempt any five.
3. All questions carry equal marks.
4. Answers may be written either in English or Hindi; but the same medium should be used throughout the paper.

1. a. Explain Lindahl solution as an alternative system to determine public goods expenditure.

b. What is meant by 'excessive government'? Explain how monopoly power, imperfect information, and cost diffusion may lead to the problem of excessive government? (12+6)

2. a. Discuss the key features of Goods and Services Tax (GST) in India, focusing on the productivity gains and revenue generation. What are the distortions associated with it?

b. Using a simultaneous move tax-compliance game between taxpayers and revenue service, demonstrate that both evasion and audit strategies must be random. What are the equilibrium payoffs for the two players? (8+10)

3. a. What is progressive taxation? Why does more progressivity imply greater deadweight loss? Substantiate using suitable diagrams.

b. Assume that all individuals have identical preferences but some individuals are wealthier than others. Assume there is a single public good and a single private good. Show how an individual's choice of 'most-preferred' level of expenditure on public goods depends on her tax price. (9+9)

4. a. What are the key features of the past five union budgets as per Mundle and Sahu? Discuss the reallocation of expenditure from social safety net towards higher capital expenditure.

b. Demonstrate the equivalence of consumption and wage tax. (10+8)

5. a. Discuss the deadweight loss of taxes borne partly by consumers and partly by producers.

b. What is median voter theory? Discuss the inefficiency of the majority voting equilibrium in detail. (8+10)

6. a. How is debt sustainability assessed? Discuss the pressures on sustainability of India's public finances, and the approach towards fiscal consolidation.

b. The inverse elasticity rule states that the proportional rate of tax on good *i* should be inversely related to its price elasticity of demand. Justify the above statement. (9+9)

7. Write short notes on any three.

a. Determinants of deadweight loss

b. Majority decision voting

c. Primary deficit, effective revenue deficit, and fiscal deficit

d. Baumol's law (6+6+6)