

MASTER OF ARTS EXAMINATION, 2025

2nd Year, 2nd Semester

DEPARTMENT OF ECONOMICS

Subject Code : Eco/A/DSE/10.7

PUBLIC ECONOMICS AII

Time : Two Hours

Full Marks : 30

Instructions: Attempt all sections, marks of each section are indicated under it.

Section-A : Objective Type Questions

Attempt all questions. Each question carries 1 mark.

1×6=6

1. Choose the correct option: Which of the following is a supply-side determinant of tax evasion?
 - A) High tax rates.
 - B) Poor audit probability.
 - C) Weak enforcement institutions.
 - D) Inefficient public expenditure.
2. Write down the correct term: used to describe corrupt practices involving low-level administration of the public sector?
3. Choose the correct option: According to the Extended Life Cycle Hypothesis (ELCH).
 - A) Government-funded social security programmes tend to reduce national savings.
 - B) Government-funded social security programmes encourage individuals to save more.
 - C) Social security does not have any impact on personal savings.
 - D) ELCH does not recognize social security as a separate variable.
4. State whether the following statement is true or false:
Statement: The “Pay-as-you-go” (or PAYGO) pension system, at large, creates unnecessary strong disincentives for human capital investment.
5. Choose the correct option: Yardstick competition is primarily used to
 - A) increase government revenue.
 - B) regulate natural monopolies.
 - C) reduce corruption in pensions.
 - D) promote private savings.

6. Fill in the blank: The type of auction where bidders submit sealed bids and the highest bidder wins but pays the price offered by the second-highest bidder is called a _____.

Section-B : Short Answer Type Questions

Attempt any three. Each question carries 3 marks and must be answered within 100 words. $3 \times 3 = 9$

7. What is the relationship between tax morale and tax evasion? Briefly explain with an example.
8. What is “Prodigal Father” problem? How does this justify government-funded social security system?
9. Explain the economic rationale behind yardstick competition with a suitable example.
10. Discuss the limitations of cost-plus regulation in controlling monopolies.

Section-C: Long- Answer Type Questions

Attempt any two questions. Each question carries 7.5 marks and must be answered within 250 words.

$7.5 \times 2 = 15$

11. Critically examine the causes and consequences of tax evasion in developing economies. What institutional reforms can help in curbing tax evasion and corruption?
12. Critically assess the evolution of pension systems from Defined Benefit (DB) to Defined Contribution (DC) frameworks. What are the implications of this shift for income security in old age?
13. Explain the principles of auction design. How can auctions be structured to achieve efficiency and revenue maximization in public resource allocation?
