

BACHELOR OF ARTS EXAMINATION, 2023

(3rd Year, 1st Semester)

ECONOMICS

[PUBLIC ECONOMICS]

Time : Two Hours

Full Marks : 30

GROUP - A

Answer any *two* questions.

5x2=10

1. “Poverty should be reduced to lessen the extent of malnutrition and raise economic growth”. Distinguish between the positive and normative components of this statement.
2. Which of the following are public goods? Explain why. 5x1=5
 - (i) Radio programs
 - (ii) Waste collection services
 - (iii) National highway
 - (iv) Public schools
 - (v) Kolkata Marathon during winter.
3. How can you link the concepts of equal sacrifice principles with the progressivity of tax structure?

[Turn over

[2]

GROUP - B

Answer any *two* questions 10x2=20

1. (i) Consider a linear demand function and calculate the deadweight loss when commodity tax t is imposed and when the marginal cost of production is constant.
 - (ii) How is deadweight loss is affected by the price elasticity of demand at the equilibrium?
 - (iii) Assume that a consumer has preferences over consumption and leisure described by the $U=U(Y, L_0-L)$, where Y is money income, L_0 is total available time (in hours) and L is labour hours. For a given wage rate w , which leads to a higher labour supply, an income tax at constant rate t or lumpsum tax, T raises the same revenue as the Income Tax. 3+2+5=10
-
2. (i) The individual utility function U is defined by $U=U(C_1, C_2)$. Derive elasticity of consumption with respect to the interest rate. Derive elasticity of consumption with respect to the interest rate.
 - (ii) Assume there are two consumers with preferences described by $U=U(X,G)$, where X is the private good and G is the public good. Both consumers have income M . The government asks each consumer to announce their demand for public goods as a

[3]

function of the share of the cost they pay. The cost shares are chosen so that both consumers demand the quantity of public goods in equilibrium. Determine the efficient level of public good provision. 5+5=10

3. (i) Suppose the government issues tradable pollution permits. Is it better for economic efficiency to distribute the permits among polluters or pollutes?
- (ii) Discuss the main recommendations of the 14th and 15th finance commissions. 5+5=10