**ST JOSEPH’S UNIVERSITY, BENGALURU -27**

Registration Number:

Date & session:

**M.A (Economics) – 2nd SEMESTER**

**SEMESTER EXAMINATION: APRIL 2024**

**(Examination conducted in May / June 2024)**

**EC 8221 – Public Economics**

**(For current batch students only)**

**Time: 2 Hours Max Marks: 50**

**This paper contains 1 printed pages and 3 parts**

**PART-A Answer any five questions (2 marks each) 2 x 5 = 10**

1. State the first fundamental law of welfare economics and its implication for Government intervention.
2. What is cap and trade?
3. What two decisions must a club make?
4. What is the Median voter hypothesis?
5. How is the aggregate demand for public good derived?
6. What does Herfindahl-Hirschman Index (HHI) measure? Calculate HHI for an industry with three firms, with a market share of 33% each.
7. Discuss Wagner’s Law of Increasing State Activities.

**PART-B Answer any two questions (5 marks each) 5 x 2 = 10**

1. What is tax burden? Show that tax is entirely borne by the producers if demand is perfectly elastic.
2. Write a note on budgeting in India.
3. Discuss fiscal federalism.

**PART-C Answer any two questions (15 marks each) 15 x 2 = 30**

1. Discuss how externalities cause market failure. Describe a potential tax-based solution and a non-tax based solution to the externality problem.
2. A mathematical model for Tiebout takes the following form: form: $max\_{n,T,G} nT - C(n,G) $ subject to the condition $U(y-T, G) \geq \bar{u} $

where n = number of people in the jurisdiction; T = head tax ; G = ‘received’ public good; y = income and  $\overbar{u}$ = level of utility each person must attain. (Note: private good *x = y -T*)

1. Derive the first order conditions.
2. Give economic interpretation of the results.

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* 1. State any three canons of taxation.
	2. What are regressive taxes and why is a commodity tax on goods like food considered regressive?