

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

M.A. DEGREE EXAMINATION – **ECONOMICS**

THIRD SEMESTER – NOVEMBER 2007

AN 26

**EC 3809 / 3807 - PUBLIC ECONOMICS - I**

Date : 26/10/2007  
Time : 9:00 - 12:00

Dept. No.

Max. : 100 Marks

**PART-A**

**Answer any FIVE questions in about 75 words each. Each answer shall carry the maximum marks of four only.**  
**(5x4= 20 marks)**

01. Why does market fail in providing public goods?
02. What is meant by the allocation function of a fiscal policy?
03. What is the “spill-over effect” consideration in judging a public project?
04. Why is there a divergence between private and social marginal rates of returns and costs?
05. Distinguish between real and pecuniary costs.
06. Illustrate with a diagram average cost pricing of public goods.
07. What are shadow prices?

**PART-B**

**Answer any FOUR questions in not exceeding 300 words. Each answer shall carry the maximum marks of ten only.**  
**(4x10=40 marks)**

08. Assess Wicksell’s theory of public goods allocation.
09. What are the difficulties involved in revealing social preferences through majority voting according to Arrow?
10. Explain the concepts of displacement, inspection and concentration effects with respect to public expenditure.
11. How can the concept of consumer surplus be used in evaluating the social benefits associated with a public project?
12. Explain the various types of crude investment criteria.
13. “PSUs are not so important for Indian economic development in the liberalized era.” Do you agree?
14. What are the issues related to the burden of public debt?

**PART-C**

**Answer any TWO questions in about 900 words. Each answer shall carry the maximum marks of twenty only.**  
**(2x20=40 marks)**

15. Critically evaluate Voluntary Exchange model of Bowen and Lindahl. How did Samuelson restate the model in general equilibrium terms?
16. What is PPBS? Bring out its relative merits over traditional budgeting methods?
17. Examine the rationale of Disinvestment policy with regard to PSUs pursued by the Government. How can we employ disinvested funds of PSUs in India?
18. Outline some of the aspects of public debt management. Discuss them in the Indian context.

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