

## P.G. 1st Semester - 2017

## ECONOMICS

Paper : MECOCCT104

Full Marks : 40

Time : 2 Hours

The figures in the right-hand margin indicate marks.

Candidates are required to give their answers in their own words as far as practicable.

Answer any four of the following.

1. What are externalities? How the externalities affect allocation of resources and production of public goods? Explain the problems of free riders in provision of public goods. (2+4+4)
2. "The framework of a normative theory of public economy itself depends upon the political and social values of the society that it serves, and the implementation of the optimal budget plan depends upon the functional relationships that prevail in the market sector of the economy." Examine the statement in context of allocation, distribution and stabilization functions of public finance. (4+3+3)

3. Define merit goods. Highlight the difference between theory of first best and second best equilibrium. Explain how the theory of second best contributes to the welfare enhancement of an economy. (2+4+4)
4. Write a short note on : (5+5)
  - a) Balanced budget multiplier
  - b) Critical limit hypothesis
5. Differentiate between automatic and discretionary stabilization. Examine the role of fiscal policy in context of mobilizing resources for equitable distribution in an economy. (5+5)
6. "The theories of public expenditure seek to analyse the determination of optimum public expenditure and the optimum allocation of resources for public goods." Comment on the above by highlighting any two related theories of public expenditure. (5+5)

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