

QUESTION BANK

Department of Economics

Semester – V, DSE – I

PUBLIC ECONOMICS

Fill in the blanks

1 × 12 = 12

1. _____ goods are supplied by private sector.
2. _____ goods are supplied by public sector.
3. The institution in India managing public debt is _____.
4. Internal debt puts no _____ burden on the community as a whole.
5. Public loan floated within the country are called _____ debt.
6. Entertainment tax is a tax of _____ govt.
7. In _____ tax both the impact and incidence fall on the same tax payer.
8. _____ Finance is kept secret.
9. Principle of joint consumption applied to _____ goods.
10. Revenue greater than expenditure than budget is _____.
11. Defense expenditure is _____ expenditure.
12. GSTs are _____ types.
13. Classical economists believed _____ and _____.
14. The term Pump Priming is coined by _____.
15. The idea of govt. intervention by Keynes is called _____.
16. The major function of public finance is _____, _____ and _____.
17. The meaning of Public Finance is _____.
18. Cut your coat according to cloth is the basic principle of _____ finance.
19. Keynes idea of Govt. intervention is called _____.
20. Principle of equimarginal utility is applied in case of _____ finance.
21. In _____ finance expenditure is adjusted to income.
22. Principle of exclusion is applicable in case of _____ finance/goods.
23. _____ is an example of pure public goods.
24. In common resources, we find characteristics of _____ and _____.
25. In case of public goods demand of individuals are _____ additions to find total demand.

26. 100% degree of jointness in consumption and 0% degree of exclusion is found in _____ goods.
27. Private goods are consumed but public goods are _____.
28. Efficient allocation of resources in private goods is possible when _____.
29. Environment protection is the example of _____.
30. Principle of MSA is also called _____.
31. Principle of MSA is developed by _____ and _____.
32. The tax should be such that Govt. earns maximum revenue but the disutility should be _____.
33. The public expenditure should be made in different lines of Govt. activities so that the total social benefit is _____.
34. NTSB = TSB - _____.
35. In Musgrave view NTSB is maximum when MSB _____ MSS.
36. Pollution is an example of _____ externality.
37. Market efficiency is there when _____ and _____.
38. Market efficiency means _____.
39. Market failure is found in case of _____ goods.
40. Market failure is found when there is _____ and _____.
41. In case of merit goods, the consumption and production are _____ and in case of demerit goods, the consumption and production are _____.
42. Govt. undertakes _____ to control demerit goods or -ve externality and _____ to enhance merit goods or +ve externality.
43. In case of market efficiency, the cost and benefit of goods is _____.
44. _____ market structure is a source of market failure.
45. The salary of Govt. employee comes under _____ expenditure.
46. Cannon of _____ tells that public expenditure should be made to promote maximum social advantage.
47. Expenditure on Railway, Road, Port are example of _____.
48. Education, Public health are _____ public expenditure.
49. Public expenditure on police, defense are _____ public expenditure.

50. Expenditure made on pension, sickness and interest on public debt are _____ expenditure.
51. The public expense that govt. committed to do is called _____.
52. Exp. of all continuing services in a plan period that shifted to next plan period is considered as _____ exp.
53. _____ exp. do not create assets.
54. _____ exp. reduces liability of the govt.
55. The best of all plans is to spend little is the idea of _____ on pub. exp.
56. The pub. exp. both in rate and composition is _____ day by day.
57. According to Wagner, the income elasticity of demand is _____.
58. Wagner considered the pub. exp. of France, Germany and _____ country to conclude his opinion.
59. Wagner discussed _____, _____ and _____ effects to explain increasing govt. activities.
60. Peacock-Wiseman's view on pub. exp. is rise in pub. exp. is _____ in nature and Wagner's view _____ in nature.
61. The rise in pub. exp. in Peacock-Wiseman's view occurs due to _____, _____, _____ effect.
62. When pub. exp. rise, the cosⁿ pattern of poor _____.
63. Efficiency effects of pub. exp. means _____.
64. Investment rises if Govt. spends on _____.
65. Progressive pub. exp. _____ the qualities.
66. When pub. exp. gives more benefits to rise than poor, it is called _____ pub. exp.
67. Cash grants, cheap goods and services are examples of _____ pub. exp.
68. When pub. exp. rise, the cosⁿ pattern of poor _____.
69. Budget contains _____ income and _____ expenditure.
70. In balanced budget pub. exp. _____ pub. revenue.
71. Unbalanced budget may be _____ or _____.
72. Long term budget is made for _____ years.
73. The value of balanced budget multiplier is always _____.
74. In _____ budget the revenue exceeds expenses.
75. The balanced budget multiplier is otherwise known as _____.

76. The value of tax multiplier is _____.
77. The value of tax multiplier is –ve because there is _____ relation between tax and NY.
78. Marginal propensity to spend of Govt. is always _____ marginal propensity to spend of private sector.
79. The value of balanced budget multiplier is one because MPC is considered to be _____ in explanation.
80. Source of Govt revenue consists of _____ and _____.
81. If the value of MPC of people in society is different than value of balanced budget multiplier may be _____.
82. In IS-LM model, the value of balanced budget multiplier is always _____ and it happens due to _____.
83. Commercial revenue is also called as _____.
84. The tax which is paid by a person on whom it is imposed is called _____.
85. The tax in which shifting is possible is called _____.
86. Tax is called progressive, if tax rate rises for a _____ in tax base.
87. If a person dies without legal heir or a 'will' to give property, the property goes to govt. is called _____.
88. The psychological reaction of tax payer due to burden of tax is called _____.
89. To reduce inequality of income distribution _____ tax is generally accepted.
90. Adam Smith presented _____ canons of a good tax system.
91. In _____ taxes impact & incidence of the tax are on the same person.
92. GST is an example of _____ tax.
93. _____ is the difference between value of output and value of intermediate consumption.
94. Initial burden of tax is called _____.
95. In _____ tax both impact and incidence fall on the same payer.
96. Out of direct and indirect tax _____ is more efficient in allocation of resources.
97. On administrative ground _____ tax is effective.
98. Income tax, corporate tax are examples of _____ tax.

99. GST, excise duty, VAT are examples of _____ tax.
100. The concept of dead weight loss is explained by _____.
101. In social justice in allocation of tax burden is called _____.
102. When all tax payer of same income group pay same tax, it is called _____ equity.
103. The maximum amount which people can contribute by way of taxes is called _____.
104. The shifting of tax burden is shifting of _____ burden of tax.
105. The defacto tax burden is _____.
106. Tax capitalization is called or is an example of _____.
107. Dalton formula of shifting is based on _____ and _____.
108. A rise in price due to tax is borne by _____.
109. Shifting of tax burden takes place in case of _____.
110. The center-state financial relation is called _____.
111. Resource transfer from center to state is made through _____ channel.
112. The distribution of tax among states by finance commission is called _____.
113. The distribution of tax between center to state is made by finance commission is called _____.
114. Public debt leads to _____ of income distribution.
115. Public borrowing is made when there is _____ budget.
116. By issuing _____ to public, Govt. creates credit.
117. A loan from IBRD is an example of borrowing from _____ source.
118. Public loans floated within the country are called _____ debt.
119. Internal debt puts no _____ burden on the community as a whole.
120. Entertainment tax is a tax of _____ Govt.

Answer following questions within two or three sentences each $2 \times 8 = 16$

1. What is private finance?
2. What is surplus budget?
3. Define non-plan expenditure.
4. What is market failure?
5. What is direct tax?

6. What are the sources of Govt. revenue?
7. What is fiscal deficit?
8. What is public debt?
9. What is investment multiplier?
10. What is functional finance?
11. What is pump firming?
12. What are the minimum activities of Govt. by classicists?
13. Private goods.
14. Principle of exclusion
15. Rivalry in consumption.
16. MSS.
17. MSB.
18. NTSB.
19. Limitations of MSA Theory.
20. Market efficiency.
21. Negative externality.
22. Demerit goods.
23. Positive externality.
24. Canon of economy in pub. exp.
25. Canon of neutrality.
26. Concentration effect.
27. Displacement effect.
28. Critical limit of pub. exp.
29. Inspection effect.
30. Progressive pub. exp.
31. Proportional pub. exp.
32. Regressive pub. exp.
33. Cash grant.
34. Balanced budget.
35. Operating budget.
36. Unbalanced budget.
37. Tax multiplier.
38. Budget Multiplier.
39. Fiscal deficit.

40. Haavellno effect.
41. Public expenses multiplier.
42. Special assessment.
43. License fees.
44. Merits of direct tax.
45. Pool tax.
46. Demerits of indirect tax.
47. Equality in taxation.
48. Horizontal equity.
49. Vertical equity.
50. Perfect equity in tax burden.
51. Impact.
52. Incidence.
53. Shifting.
54. Horizontal imbalance.
55. Vertical imbalance.
56. Horizontal devolution.
57. Vertical devolution.
58. Public debt.
59. External Public debt.
60. Income-debt ratio.
61. Debt-Service ratio.
62. Symmetrical debt burden.
63. Asymmetrical debt burden.
64. Refunding.
65. Conversion.
66. Terminable Annuities.
67. Positive management of public debt.
68. Two objectives of public debt management.
69. Sinking Fund.
70. Taxable capacity.

Write notes on the following questions within 75 words 3 × 8 = 24

1. Surplus budget

2. Mixed good.
3. VAT.
4. Plan expenditure.
5. Public expenditure.
6. Public revenue.
7. External debt.
8. Direct tax.
9. Incidence tax.
10. Wagner's law.
11. Objectives of public finance.
12. Pure public good.
13. Quasi public good.
14. Club good.
15. Common resources.
16. Merit goods.
17. Conditions of MSA.
18. Meaning of MSA.
19. Pareto optimality of market efficiency.
20. Negative externality.
21. Market failure.
22. Primary and secondary public expenses.
23. Plan expenditure.
24. Musgrave view of public expenses.
25. Musgrave's law of increasing state activity.
26. Classical view of public expenses.
27. Incentive effect of public expenses.
28. Efficiency effect of public expenses.
29. Effect of public expenses on growth.
30. Balanced budget multiplier.
31. Taxable capacity.
32. Tax buoyancy.
33. Tax avoidance and tax evasion.
34. Direct tax.
35. Fees.

36. Progressive tax.
37. Development expenditure.
38. Advalorem tax.
39. Neutrality of tax.
40. Money burden of tax.
41. Real burden of tax.
42. Taxable capacity in India.
43. Equal absolute sacrifice.
44. Equal marginal sacrifice.
45. Equal proportional sacrifice.
46. Objective approach to ability to pay.
47. Factors determining taxable capacity.
48. Benefit principle of taxation.
49. Forward shifting.
50. Backward shifting.
51. Tax amortization.
52. Shifting of tax in case of luxury goods.
53. Tax sharing in case of diminishing cost conditions.
54. Incidence of tax.
55. VAT and its advantages.
56. Finance commission.
57. Sources of public debt.
58. Effects of public debt on production.
59. Distinguish between Private debt and Public debt.
60. Money burden of public debt.
61. Real burden of public debt.
62. Burden of external debt.
63. Compulsory debt.
64. Capital levy.
65. Neutral management of public debt.
66. Tax vs debt.
67. Sinking debt.
68. Debt Trap.

Answer the following questions within 500 words

7 × 4 = 28

1. Explain meaning and scope of Public Finance.
2. Describe balanced budget multiplier.
3. Describe the meaning and classification of Public Expenditure.
4. Explain Peacock-Wiseman hypothesis.
5. Describe various canons of tax.
6. Explain the ability to pay theory of taxation.
7. Explain the Keynesian view of burden of public debt.
8. Explain the various methods of debt redemption.
9. What is public finance? Distinguish between public finance and private finance.
10. Distinguish between public good and private good.
11. Explain MSA theory with limitations.
12. Discuss the objective lists of MSA theory.
13. What is externality? Distinguish between positive and negative externality.
14. Explain Govt. activities undertaken by Govt. to control positive and negative externality.
15. Explain Wagner's view of increasing Public Expenditure.
16. Discuss Peacock-Wiseman hypothesis of Public Expenditure.
17. Discuss the causes of rapid growth of Public Expenditure.
18. Discuss the effects of Public Expenditure on Production and Distribution.
19. Distinguish between balanced and unbalanced budget. Which one is preferable for a developing country like India?
20. Describe budget as an instrument of economic policy.
21. Discuss different sources of Govt. revenue.
22. Discuss the characteristics of a good tax system.
23. Explain effects of tax on Production and Distribution of the economy.
24. Compare direct and indirect tax. Which is effective?
25. Discuss relative merits and demerits of direct and indirect tax.
26. What do you mean by neutrality of tax, out of direct and indirect tax? Which is more neutral?
27. Explain benefit principle of taxation.

28. Discuss ability to pay theory of taxation.
29. Explain taxable capacity of a country. Has India achieved it?
30. Explain shifting of tax taking Ed and ES into account.
31. Explain shifting of tax under market conditions.
32. Explain shifting of tax in case of nature of goods.
33. Discuss shifting of tax under different cost conditions.
34. Distinguish between impact and incidence of a tax. Discuss the factors influencing incidence of tax.
35. Explain burden of internal and external public debt on economy.
36. What is burden on debt? Is internal debt a burden?
37. Discuss different methods of debt redemption.
38. What do you mean by debt management? How can the burden of public debt be minimized by debt management?
39. Explain balanced budget multiplier in case of lumpsum tax and proportional tax.
40. Explain the purpose of preparing budget.