

**2020**

**ECONOMICS — HONOURS**

**Fifth Paper**

**(Group - B)**

**Full Marks : 50**

*The figures in the margin indicate full marks.*

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

**Section - A**

Answer *any two* questions.

1. Distinguish between national and local social goods. 10
2. Suppose the central government is concerned with achieving equality of fiscal capacity in all states. What should be the relevant grant policy? 10
3. Distinguish between 'revenue account' and 'capital account' of the budget. 10
4. How does an internally held public debt differ from an external debt? 10
5. What are club goods? 10
6. What are negative taxes? 10
7. "A consumption tax tends to be more favourable to saving than an income tax". Why? 10
8. Briefly discuss the three major functions of budget policy. 10

**Section - B**

Answer *any two* questions.

9. How is efficient provision of public goods determined in a world consisting of one public good and one private good? 15
10. Derive the balanced budget multiplier in case of a closed economy with autonomous investment. Is the value of the multiplier always equal to unity in such a model? Clearly explain your answer.  $7\frac{1}{2}+7\frac{1}{2}$
11. Discuss the four canons of taxation as prescribed by Adam Smith. 15

**Please Turn Over**

12. Make a brief comparative study of the 'Benefit Principle' and the 'Ability to pay Principle' to taxation from the perspective of tax equity. 15
  13. Does debt finance burden future generations? 15
  14. Do you think that an indirect tax necessarily imposes an excess burden as compared to a direct tax? Argue your case. 15
  15. What are the advantages of VAT as compared to a sales tax? Briefly discuss some of the major criticisms levelled against VAT.  $7\frac{1}{2}+7\frac{1}{2}$
  16. Define 'budget deficit', 'revenue deficit' and 'fiscal deficit'. What are the limitations of the concept of fiscal deficit as a target policy variable?  $7\frac{1}{2}+7\frac{1}{2}$
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