

# RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College affiliated to University of Calcutta)

B.A./B.Sc. SIXTH SEMESTER EXAMINATION, MAY 2025

THIRD YEAR [BATCH 2022-25]

ECONOMICS (HONOURS)

Paper : DSE 3

Date : 10/05/2025

Time : 11 am – 1 pm

Full Marks : 50

1. Answer **any three** questions: [3×4]
  - a) Explain the justification of government expenditure on direct money transfer schemes to the poor.
  - b) Indicate the situations, based on excludability and rivalry in consumption, where public goods can be transformed into the private goods
  - c) Distinguish between market demand curve public goods and private goods.
  - d) What are the benefits of expenditure tax over income tax?
  - e) Show that the presence of negative externality leads to over production in free market economy.
  - f) Explain the money burden and real burden of public debt.
  
2. Answer **any one** question: [1×8]
  - a) Find out the optimal nature of taxes under equal marginal sacrifice if the utility function facing the representative consumer is – i)  $U = Y^{\frac{1}{2}}$  ii)  $U = Y^2$ , where Y represents the income level of the individual.
  - b) Consider that an individual lives for two periods present and future, and his utility function is  $U = f(C_1, C_2)$  Where  $C_1$  and  $C_2$  denote present and future consumption expenditure respectively.  
Let the present value of his life time income be denoted by  $W = y_1 + \frac{y_2}{(1+r)}$  where  $y_1$  and  $y_2$  denote the present and future income respectively, and 'r' denotes the market rate of interest (same for both lender and borrower). Now, analyse the impact of a proportional income tax on individual savings in this setup.
  
3. Answer **any two** questions: [2×15]
  - a) i) Distinguish between the revenue account and capital account of the government budget, giving example of revenue receipts, revenue expenditure, capital receipts and capital expenditure.  
ii) Explain the concept of a) revenue deficit, b) effective revenue deficit c) fiscal deficit  
d) primary deficit in government budget. [7+(2+2+2+2)]
  - b) What do you mean by Excess Burden of Tax? Discuss the excess burden (in terms of reduction of surplus) in case of i) Change in supply of factors of production, ii) reduction in consumer welfare, iii) reduction in procedure welfare. [3+(4+4+4)]
  - c) Discuss, in brief, the concept of Richandian equivalence. What are the limitations of the concept? (10+5)
  - d) How can the optimal size of locality determined in a decentralized structure? Discuss, in this context, the problem of 'voting with your feet'. (8+7)