

RAMAKRISHNA MISSION VIDYAMANDIRA

(Residential Autonomous College under University of Calcutta)

THIRD YEAR

B.A./B.SC. FIFTH SEMESTER (July – December), 2012

Mid-Semester Examination, September 2012

Date : 13/09/2012

Time : 2 pm – 4 pm

ECONOMICS (Honours)

Paper : VI

Full Marks : 50

[Use Separate Answer Script for each Group]

Group – A

Answer **any five** questions taking **atleast two questions** from question numbers 1 and 2 :

1. a) Define tax. How do you define progressivity of income tax? Answer briefly. [1+4]
b) Explain why it becomes necessary for the Government to provide subsidy in education at the primary level. [5]
c) Explain the difference between the Parets Efficiency conditions for two private goods and for one public and one private good. [5]
d) Discuss the major merits of Benefit Principle of taxation. [5]
2. a) Explain how the following transaction generates two entries— a credit and a debit—
An Indian tourist buys a meal at an expensive restaurant in Lyons, France, paying with a traveller's cheque. [5]
b) Distinguish between— i) Spot exchange rate and Forward exchange rate.
ii) Futures and Options. [2½+2½]
c) Explain the relationship between Spot and Forward exchange rate. [5]
d) Explain why government expenditure multiplier in an open economy is, in general, less than that of a closed economy. [5]

Group – B

Answer **any one** question : [1×5]

3. If a low-income-undernutrition-low-income circle is possible in poor countries, why it is not possible for some groups of people in rich countries?
4. What do you mean by the double-incentive problem?

Answer **any one** question : [1×8]

5. Discuss the relationship between— [4+4]
a) Credit and Poverty
b) Insurance and Poverty
6. a) What is Capacity curve?
b) “Poor may not afford to share their poverty equally”— Explain. [3+5]

Answer **any one** question : [1×12]

7. Show that a risk-averse tenant should prefer sharecropping contract over the fixed-rent contract. [12]
8. a) Show that fixed-rent system is demonstrably superior to sharecropping arrangement, not only from a social efficiency angle, but also from landlord's individual rationality. [9]
b) What happens when input costs are shared between landlord and tenant? [3]

