11-12-17

DOON UNIVERSITY, DEHRADUN
Final Semester Examination, 2017
School of Social Sciences
Msc. Economics Integrated (Third semester)
Course Code: SSEI-210 Public Economics I

Time Allowed: 3 Hours *Maximum Marks: 50*

Section A (Attempt all parts of this section) **(2*6=12 marks)**

1. Cinema Screen has the characteristics of ____________ and ______________.
2. Game theory is an apparatus which studies__________________.
3. If x' is relatively high, the price for the permit trade will be determined_________. (x is qty of allowed negative externality to be produced)
4. Taxes that control negative externalities are called as______________
5. If Qd= D (Pd) and Qs=S (Ps), showing the equilibrium condition frame the equation in case of imposition of taxes by the government.
6. Explain the Rule 1 and Rule 2 briefly explained by the theory of Consumer & Producer Surplus.

Section B (Attempt three questions) **(3*6=18 marks)**

1. In your viewpoint what are the components of Public Economics?
2. If the price of X increases due to the tax imposition, the demand of its related good Y changes in same direction. Considering this relationship show how would it change the welfare of the people? (Diagrammatically)
3. Determine the optimal point of production if the neighbours have the property rights of production and there is emission of negative externality. (Diagrammatically)
4. In case of one good, explain the effect of subsidies on the consumer and the produce surplus. How does it affect the welfare of the society? (Diagrammatically)

Section C (Attempt any Two questions) **(2*10=20 marks)**

1. Defining the pareto optimal conditions briefly, obtain the market clearing situation in the production economy. **(Please be specific. <u>Do Not</u> spend more than 20 minutes on this question)** (Diagrammatically)

2. Explain briefly-
   a) Abatement Cost of a firm
   b) If MAC of a firm is high what would be his profitable decision?
   c) Diagrammatically show the equilibrium condition of the excess demand taking a case of two firms with one firm having low abatement cost and the other firm having high.

3. Take a case study, where Firm A earns 10 crore if they produce and have to bear 5crores as cost. Another firm B if produces earns 8 crores and bears 3 crores as cost. If they do not produce they will neither incur profit nor loss. However, if either of them produces and the other does not then, the firm not producing does not bear any loss but simultaneously the other firm has to incur cost. If the two firms produce complementary goods, the final outcome would be profitable only if they both decide to produce. Here, what kind of behavior between firms are we talking about and due to its absence what consequences would occur? With the help of matrix explain the problem.
   b) In the same question, explain what is a payoff, strategy, and nash equilibrium.