UNIVERSITY OF PETROLEUM & ENERGY STUDIES
End Semester Examination (Online) – May, 2021

Program: MA(Hons) Economics   **Semester: II**
Subject/Course: Public Economics-I   **Max. Marks: 100**
Course Code: ECON 7024   **Duration: 3 Hours**

Section-A
1. **Each question will carry 5 marks**
2. **Select the correct answer(s)**

S.No.	Question	Marks	COs
1	Suppose A and B have to divide a box of chocolates and both of them prefer to have more chocolates to fewer chocolates. An allocation that gives all the chocolates to A is A. Pareto inefficient B. Pareto efficient C. Pareto unfair D. Pareto fair	5	CO 1
2	Among the effects of urban rent control are A. a disincentive to build for rental purposes B. an implicit redistribution of wealth from those who do not have rent-controlled housing to those who do have rent-controlled housing. C. a low degree of mobility in housing market. D. All of the above	5	CO 1
3	In a Pareto efficient equilibrium a) trying to make someone better off will make someone else worse off b) governments collect some tax revenue c) trying to make someone better off will make someone else better off d) there is a fair distribution of income	5	CO 1
4	Write the name of different 'Bias', which affect decision-making choice of the agents.	5	CO 2
5	The First Fundamental Theorem of Welfare Economics requires 1. producers and consumers to be price takers 2. that the economy operate at some point on the utility possibility curve 3. that there be an efficient market for every commodity 4. All the above	5	CO 1
6	Which of the following factors is NOT the cause for 'market failure'? a. Lack of demand b. Asymmetric information	5	CO 1

c. Externality
d. Public good

Section-B

1. **Each question will carry 10 marks**

2. **Instruction: Write short/ brief notes**

7.	Consider a 2×2 exchange economy with two individuals (A or B) and two goods (x and y). A's preference are given by $u_A = x_A^{1/5} y_A^{4/5}$
	 B's preference are given by $u_B = x_A^{4/5} y_A^{1/5}$
	 The endowments are $\omega^A = (8,12)$ and $\omega^B = (12,8)$.
	     a. Find the equilibrium prices.
	     b. Find the equilibrium allocation.
	     c. Derive the equation of the contract curve.
	     d. Sketch an Edgeworth box showing endowments, competitive equilibrium prices and consumption choices, and indifference curves through the endowments and through the equilibrium consumption choices.
		10	CO 2

8.	Explain the economic implications of the impositions of quality standards for drinking water (assume that water is being provided by a private company).	10	CO 2

9.	Education is often viewed as a good with positive externalities.
	     A. Explain how education might produce positive external effects.
	     B. Suggest a possible action of the government to induce the market for education to perform more efficiently.
		10	CO 2

10.	Critically examine The Coase Theorem in the context of market failure.	10	CO 3
11	The value of the gross domestic product for several measures is given in the table below. If the public expenditure is $10 billion, what are the largest and smallest proportional measures of the public sector? Does the difference matter?	10	CO 3

Measure	Factor prices	Market prices	Domestic product	National product
Value ($billion)	30.2	32.3	31.2	31.5

Section-C

1. **Each question carries 20 Marks.**

2. **Instruction: Write long answer.**

12	Critically analyze the importance of public intervention in a developing economy like India.	20	CO 4