



UNIVERSITY OF SRI JAYEWARDENEPURA  
FACULTY OF HUMANITIES AND SOCIAL SCIENCES

Bachelor of Arts Third Year First Semester Examination - July/August, 2017

Economics

**ECON 3151.03–Public Economics**

Time: Three Hours

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Answer **five** Questions only.

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01. (i) Explain the main characteristic / Features of a market economy. **(08 Marks)**

(ii) What are the situations where market failures occur? **(08 Marks)**

02. (i) What do you understand by externalities? **(04 Marks)**

(ii) Assume that existence of a certain factory leads to the pollution of a reservoir. Show what course of action can be taken to minimize pollution to a socially desirable level? **(12 Marks)**

03. Write short notes on any **four** of the following:

- (i) Classical economists' views of the role of the state
- (ii) Neo-classical economists' views of the role of the state.
- (iii) Rawlsian primary goods.
- (iv) Buchanan's views of the role of the state.
- (v) World Bank's views of the role of the state.

**(04 Marks for each part and total 16 Marks)**

04. (a) Briefly explain the following concepts.

- (i) Pure Private goods
- (ii) Pure Public goods
- (iii) Quasi-Public goods
- (iv) Merit goods

**(03 Marks for each Part and total 12 Marks)**

(b) "The government should undertake the supply of Public goods".

Do you agree with this statement? Give reasons for your answer.

**(04 Marks)**

05. (i) Critically examine the different definitions of decentralization of governance.

**(08 Marks)**

(ii) Briefly explain Sri Lanka's experience of decentralization of governance.

**(08 Marks)**

06. (i) What are the classifications of Public expenditure?

**(06 Marks)**

(ii) Explain the economic effects of Public expenditure

**(06 Marks)**

(iii) Examine the factors that led to the rapid increase of Sri Lanka's Public expenditure in recent years.

**(04 Marks)**

07. (i) What are the objectives of taxation?

**(08 Marks)**

(ii) What principles of taxation would be helpful to achieve these objectives?

**(08 Marks)**

08. What types of reorganizations of tax policy would you propose to make taxation more effective for economic development in Sri Lanka?

**(16 Marks)**

09. (i) What do you understand by Public debt?

**(04 Marks)**

(ii) What are the likely economic effects of an expansion of Public debt?

**(12 Marks)**

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