



University of Sri Jayewardenepura  
Faculty of Humanities and Social Sciences

Bachelor of Arts Third Year First Semester Examination –August/September 2018

Economics  
**ECON 3151.03 – Public Economics**

Three (03) Hours only.

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Answer Five (05) questions only.

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1. (i) What are the main characteristic features of a market economy?  
(08 Marks)
- (ii) Explain why the government should intervene in economic activities in a market economy.  
(08 Marks)
2. (i) Should pollution be eliminated completely? If so why? If not, how much of pollution should be tolerated? Explain with a selected example.  
(08 Marks)
- (ii) Describe two of the recommended solutions to pollution problem.  
(08 Marks)
3. “There are wide-spread different views on the role of the state” Explain and discuss this statement.  
(16 Marks)
4. (a) What are the objectives of taxation?  
(04 Marks)

(b) Explain the following tax rate structures.

- (i) Proportional
- (ii) Progressive
- (iii) Regressive

(09 Marks)

(c) What is meant by Tax compliance?

(03 Marks)

5. With a suitable diagram explain the relationship between the circular flow and taxation.

(16 Marks)

6. (i) How do you define excess burden of a tax?

(08 Marks)

(ii) What factors determine its magnitude?

(08 Marks)

7. (i) What is decentralization?

(08 Marks)

(ii) Explain the advantages and disadvantages of decentralization?

(08 Marks)

8. (i) What are the classifications of public expenditure?

(08 Marks)

(ii) Examine the cause of growth of public expenditure in modern states.

(08 Marks)

9. Critically examine the major budget proposals of the government of Sri Lanka for 2018.

(16 Marks)

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