

Question 1

- a) What is government? (7 Marks)
- b) Describe fully the three 930 levels of government. (18 marks)

Question 2

- a) Write short explanatory notes on the following: (5 marks each)
 - a. Government failure
 - b. Market failure
 - c. Free-rider problem
- b) Explain fully why the 'tragedy of commons' is becoming a serious concern in our societies today. (10 marks)

Question 3

Using partial equilibrium models, distinguish between optimal provision of public goods and optimal provision of private goods. (25 Marks)

Question 4

Outline the Tatonnement Model and its criticism. (25 marks)

Question 5

- a) Explain fully the rationale for existence of a local government. (10 marks)
- b) Using a suitable diagram, show welfare gains from decentralization. (10 marks)
- c) What is the main prediction of the 'assignment problem'? (5 marks)

Question 6

- a) Using relevant examples, describe the two broad categories of public expenditure. (10 Marks)
- b) With the aid of a diagram, explain how inefficiency in an economy may arise as a result of government bureaucrats being utility maximizers. (15 marks)

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Final Examination Paper, November 2013

Title of paper : **Public Finance I**

Course Code : **Econ 408**

Time allowed : **Three (3) hours**

Instructions : **1. Answer four (4) questions.**

2. All questions carry equal marks of twenty five (25) each.

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