



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**SEPTEMBER –DECEMBER 2021**

**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF ECONOMICS**

**REGULAR PROGRAMME**

**ECN 410: PUBLIC FINANCE AND FISCAL POLICY**

**Date: DECEMBER 2021**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and any TWO Questions**

Q1.

- a) Discuss the concept of policy Economics, outlining its relevance in the working of public and private sectors of a country **(12 marks)**
- b) Discuss the Marginal conditions for Pareto Optimality **(6 marks)**
- c) Examine the Criticisms of the Pigovian Welfare Economics **(5 marks)**
- d) Distinguish between a tax base and a tax incidence **(3 marks)**
- e) Differentiate between Statutory incidence and Economic Incidence of a tax **(4 marks)**

Q2.

- a) Examine the Monetary policy as a stabilization instrument used in Public policy **(8 marks)**
- b) Use the demand and supply diagram for private goods with a corresponding construction for a social good as they would compare in a hypothetical market setting to explain how the non-rival nature of social food impacts on efficient resource allocation **(12 marks)**

Q3.

- a) Discuss important aspects of decision rules in expenditure evaluation, give relevant examples from an African country of your choice **(12 marks)**
- b) Examine the principles of a good taxation system **(8 marks)**

Q4.

- a) Discuss the concept of Government failure outlining some of its causes and remedies **(14 marks)**
- b) Briefly discuss three efficiencies that each economy targets to realize **(6 marks)**

Q5.

- a) Discuss the extent to which the following statement is TRUE or FALSE in relation to Private and social goods **(14 marks)**
- b) "Efficient use of resources occurs when there is n possibility of making a change which helps one person without hurting anyone else"
- c) Discuss three ways in which the problem of tax incidence may be viewed **(6 marks)**

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