

CHUKA



UNIVERSITY

SUPPLEMENTARY/ SPECIAL EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF COMMERCE**

ECON 446/442: PUBLIC FINANCE AND FISCAL POLICY

STREAMS:

TIME: 2 HOURS

DAY/DATE: MONDAY 01/02/2021

2.30 PM – 4.30 PM

INSTRUCTIONS:

Answer question **ONE** and any other **TWO** questions
Do not write anything on the question paper

Questions One (Compulsory)

- a) Explain the main constraints of public expenditure growth 5marks
- b) “*Every tax is an evil*” and “*Every public expenditure is un-productive*”. Discuss this statement in view of classical economists. 5marks
- c) Discuss the consequences of tax evasion and avoidance 10marks
- d) Explain the main causes of market failure 10marks

Question Two

- a) Explain the main functions of the government showing clearly the extent to which your country has achieved them. 12marks
- b) Have there been any conflicts in the implementation by the government such that the achievement of one objective is accomplished at the cost of another? Explain

8marks

Question Three

Discuss the following theories of growth of public expenditure

- i) Wagner’s theory 5marks

- ii) Political model 5marks
- iii) Crowding out model 5marks
- iv) Wiseman's model 5marks

Question Four

- a) Explaining your answers, compare and contrast Public finance and Private finance

10marks

- b) Compare the efficient provision of public goods and private goods 10marks
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