

ECS3704

**MAY/JUNE 2014
MEI/JUNIE 2014**

**PUBLIC ECONOMICS
OWERHEIDSEKONOMIE**

STUDENT NUMBER / STUDENTENOMMER									

IDENTITY NUMBER / IDENTITEITSNOMMER											

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VIR GEBRUIK DEUR EKSAMENOPSIENER**

Question, No Vraagnr	Marks / Punte		
	Examiners / Eksaminatore		
	1	2	3
Section A:			
1			
2			
3			
Section B:			
Total / Totaal			

Subject / Vak

Number of paper / Vraestelnommer

Date of examination / Datum van eksamen

Examination centre / Eksamensentrum

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ECS3704May/June 2014
Mei/Junie 2014**PUBLIC ECONOMICS
OWERHEIDSEKONOMIE**Duration 2 Hours
Tydsduur 2 Uur100 Marks
100 Punte**EXAMINERS / EKSAMINATORE**

FIRST / EERSTE	PROF TJ STEENEKAMP
SECOND / TWEEDE	PROF T VAN DER MERWE
EXTERNAL / EKSTERNE	DR NFK MONKAM

Closed book examination
Toeboekeksamen

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This paper consists of 22 pages including 2 pages for rough work (pp 21 to 22) plus the special front page

Hierdie vraestel bestaan uit 22 bladsye insluitende 2 bladsye vir rofwerk (pp 21 tot 22) plus die spesiale voorblad

STUDENT NUMBER / STUDENTENOMMER									

This paper consists of 2 sections Section A consists of three questions **ALL the questions in Section A must be answered** Section A counts 40 marks Section B consists of five questions You must answer **any THREE** of the five questions in Section B Section B counts 60 marks

Hierdie vraestel bestaan uit 2 afdelings Afdeling A bestaan uit drie vrae **AL die vrae in Afdeling A moet beantwoord word** Afdeling A tel 40 punte Afdeling B bestaan uit vyf vrae U moet **enige DRIE** van die vyf vrae in Afdeling B beantwoord Afdeling B tel 60 punte

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SECTION A / AFDELING A

You must answer **ALL** the questions in this section

U moet al die vrae in hierdie afdeling beantwoord

QUESTION 1 / VRAAG 1

- (a) Economists conventionally distinguish between three broad functions of government
Name them (2)

- (a) Ekonomie onderskei gewoonlik tussen drie bree owerheidsfunksies Noem hulle (2)

- (b) List the policy options government could use to correct the inefficiencies caused by a natural monopoly (2)

- (b) Lys die beleidsmaatreels wat die owerheid kan gebruik om die ondoeltreffendhede reg te stel wat 'n natuurlike monopolie veroorsaak (2)

- (c) Underline the correct options

In the public sector bureaucrats act as agents / principals for their agents / principals, the
taxpaying public (1)

- (c) Onderstreep die korrekte opsies

In die owerheidsektor tree burokrate op as agente / prinsipale vir hul agente / prinsipale,
die belastingbetalerspubliek (1)

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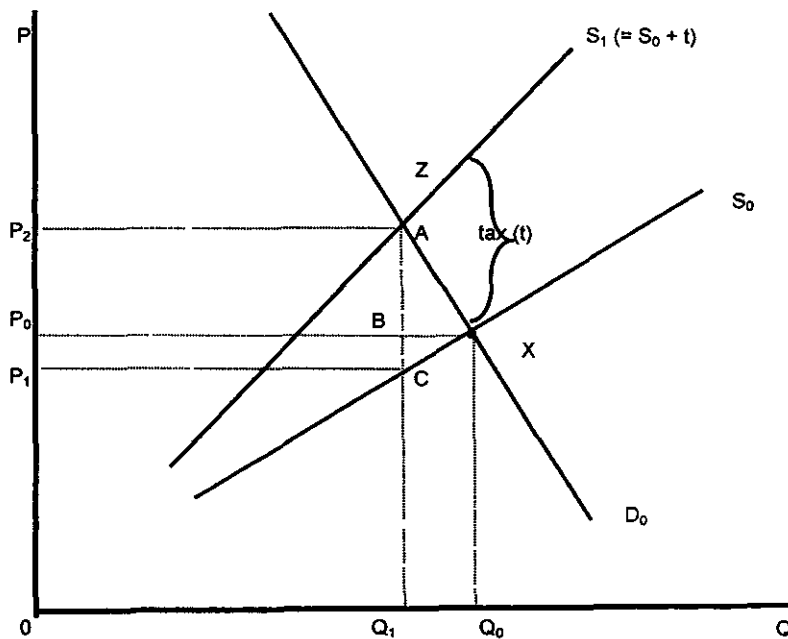
- (d) Explain a regressive tax rate structure (2)
- (d) Verduidelik wat 'n regressiewe belastingkoersstruktuur is (2)

- (e) Consider the diagram below and underline the correct option to the statements (3)

- (i) The imposed tax is a unit tax / *ad valorem* tax
- (ii) The demand for the taxed good is relatively price elastic / inelastic
- (iii) The total tax burden of the seller / buyer is equal to P_0BCP_1

- (e) Beskou die diagram hieronder en onderstreep die korrekte opsie in die stellings (3)

- (i) Die belasting wat gehef word is 'n eenheidsbelasting / *ad valorem* belasting
- (ii) Die vraag na die produk is relatief prys elasties / onelasties
- (iii) Die totale belastinglas van die verkoper / koper is gelyk aan P_0BCP_1



[10]

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QUESTION 2 / VRAAG 2

List and then compare the key characteristics of a public and private good (use the table below)
Subsequently use a diagram to illustrate the equilibrium of a pure public good (15)

Lys en vergelyk dan die sleuteleienskappe van 'n private- en owerheidsgoed (gebruik die tabel hieronder) Gebruik vervolgens 'n diagram om die ewewig van 'n suiwer owerheidsgoed te illustreer (15)

Characteristic / Eienskap	Public / Owerheid	Private / Privaat

[15]

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Use a diagram to explain why a selective tax is less efficient than a head tax. Why are head taxes not used more often? (15)

Gebruik 'n diagram om te verduidelik waarom 'n selektiewe belasting minder doeltreffend is as 'n kopbelasting. Waarom word kopbelastings nie meer gereeld gebruik nie? (15)

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[15]

SECTION B / AFDELING B

Answer any **THREE** of the following five questions

Beantwoord enige **DRIE** van die volgende vyf vrae

QUESTION 4 / VRAAG 4

- (a) State the equation for the Pareto top-level equilibrium condition and then explain the condition using a diagram. What determines the precise location of the top-level point on the PPC? (15)
- (a) Stel die vergelyking vir die Pareto hoogste-vlakewewigsvoorwaarde en verduidelik dan hierdie voorwaarde met behulp van 'n diagram. Wat bepaal die presiese plek van die hoogste-vlaktip op die PPC? (15)

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QUESTION 5 / VRAAG 5

- (a) Use a diagram to explain why income should be distributed equally to maximise social welfare. What assumptions are made in this explanation and how realistic are they? (10)
- (a) Gebruik 'n diagram om te verduidelik waarom inkome gelyk verdeel moet word om sosiale welvaart te maksimeer. Op watter aannames is hierdie verduideliking geskoei en hoe realisties is hierdie aannames? (10)

(b) Critically discuss the Tiebout model as an explanation for a market-like solution to the efficient provision of local public goods (10)

(b) Bespreek die Tiebout model krities om 'n mark-tipe oplossing vir die doeltreffende voorsiening van plaaslike owerheidsgoedere te verduidelik (10)

QUESTION 6 / VRAAG 6

- (a) "Providing subsidised services such as education and health cause economic inefficiencies " Explain this statement by using a diagram (10)
- (a) "Die verskaffing van gesubsideerde dienste soos onderwys en gesondheid, veroorsaak ekonomiese ondoeltreffendhede " Verduidelik hierdie stelling met behulp van 'n diagram (10)

- (b) Discuss the Peacock and Wiseman's displacement effect as an explanation for the growing share of government in the economy (10)
- (b) Bespreek Peacock en Wiseman se verplasingseffek om die groeiende aandeel van die owerheid in die ekonomie te verduidelik (10)

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- (b) Evaluate electronic toll collection in South Africa using the following criteria for good taxes
- (i) the benefit principle of fairness and the ability-to-pay principle of equity
 - (ii) administrative efficiency
- (10)
- (b) Evalueer elektroniese insameling van tolgeld in Suid-Afrika deur gebruik te maak van die volgende maatstawwe vir goeie belastinge
- (i) die voordeelbeginsel en vermoë-om-te-betaalbeginsel van billikheid
 - (ii) administratiewe doeltreffendheid
- (10)

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(a) Explain using a diagram the economic impact of a conditional non-matching grant to local authorities. For what activities would such a grant be appropriate? (10)

(a) Verduidelik met behulp van 'n diagram die ekonomiese impak van 'n voorwaardelike nie-gepaarde oordrag aan plaaslike owerhede. Vir watter aktiwiteite sal so 'n oordrag gepas wees? (10)

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[illegible]

- (b) Suppose a proportional tax is levied on income. Explain how income and substitution effects determine the impact on labour supply (**do not** use a diagram). What outcomes does empirical evidence suggest? (10)
- (b) Veronderstel 'n proporsionele belasting word op inkomte gehef. Verduidelik hoe inkomteen substitusie-effekte die impak op die aanbod van arbeid bepaal (**moet nie** van 'n diagram gebruik maak nie). Wat is die gevolgtrekkings van empiriese studies? (10)

[20]

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[BLAAI OM]

ROUGH WORK / ROFWERK

[TURN OVER]
[BLAAI OM]

ROUGH WORK / ROFWERK