

**ECONOMICS FOR FINANCE****Chapter 2 unit 1: Fiscal Functions****Questions**

1. What is the rationale behind the exercise of fiscal functions by government?
2. Elucidate the need for an economic system for any society?
3. Explain Musgrave's taxonomy of the role of government in a market economy?
4. What do you understand by 'allocation function of government'?
5. Why do you consider 'resource allocation' crucial for any economy?
6. Describe why governments should perform the allocation function in an economy?
7. 'Market failures provide the rationale for governments' allocative function'. Elucidate
8. How does monopoly power affect efficiency of markets?
9. How do governments use budgeting for performing its allocative function
10. Mention four types of different allocation instruments available to governments to influence resource allocation in an economy.
11. Explain how government can get domestic producers produce more food grains?
12. Enumerate the circumstances which necessitate redistribution by government?
13. Illustrate with an example the redistribution effect of a tax and transfer policy.
14. What is the objective of government subsidy?
15. What reasons would you assign for the grant of employment reservations to socially backward communities?

16. What would be the objective of a government when it declares special schemes for backward regions?
17. What should be the public revenue and expenditure policy of the government during recession?
18. Describe the rationale for the stabilization function of government policy.
19. What do you understand by the 'Redistribution function' of the government? Do you consider it necessary? Why?
20. How do governments perform their redistribution function through budget?
21. What objectives do governments fulfil through redistribution function?
22. Give five specific examples of government intervention for redistribution
23. What is meant by 'efficiency costs' in connection with governments' redistribution function?
24. Do you think governments should refrain from redistribution function on account of efficiency costs?
25. Why do you consider stabilization function as an important role of the governments?
26. What is the role of governments towards bringing in economic stability?
27. What is 'contagion effect' in the context of economic instability?
28. Mention five important macro economic variables which are of concern in the stabilization function of the government?
29. 'The nature of the budget has important implications on a country's economic activity' Explain
30. What is meant by 'government failure'? Mention the likely causes of government failure?