

UGANDA MARTYRS UNIVERSITY

NKOZI

UNIVERSITY EXAMINATIONS

END OF SEMESTER II FINAL ASSESSMENT 2021/2022

BACHELOR OF EDUCATION

E203202: PUBLIC SECTOR ECONOMICS

DATE: Tuesday 12 July 2022

TIME: 09:30AM – 12:30PM

Instructions:

1. Attempt any **FOUR (04)** questions
 2. All questions carry equal marks
 3. Do not write anything on the questions paper.
 4. Carefully read through **ALL** the questions before attempting.
 5. No **names** should be written anywhere on the examination booklet.
 6. Ensure your work is **clear and readable**. Untidy work shall be penalized.
 7. Any type of examination Malpractice will lead to automatic disqualification.
 8. Ensure that your **ID number** is indicated on all pages of the examination answer booklet.
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Question One

The Ministry of Finance, Planning and Economic development is concerned about the poor performance of public enterprises. As a graduate from Uganda Martyrs University with knowledge in public sector economics, you have been invited by the ministry to make a presentation about the topic "**The public sector: Prospects and challenges**". Illustrate with examples the highlights of your presentation. (25marks)

Question two

The huge public debt remains a major challenge to almost all developing countries. This is majorly caused by limited capacity for such countries to locally mobilize revenue resources, especially through taxation to meet public expenditures. **Required**

- (a) Explain why developing countries rely more on Debt financing as opposed to taxation financing. (15marks)
- (b) How can taxation be harnessed to ensure sustainability of government revenue in Uganda. (10marks)

Question three

- (a) Explain the various forms through which the government can intervene in the distribution and allocation of public goods. (12marks)
- (b) Suppose the government is considering privatization of one of its major fishing ground on Lake Albert. What would be the likely benefits and costs of this privatization exercise from the perspective of a public sector economist? (13marks)

Question four

Write short notes on the following concepts as used in public sector economics

- (a) Vertical equity and horizontal equity in resource allocation (4marks)
- (b) The social welfare functions (6marks)
- (c) Adverse selection and Moral hazard (6marks)
- (d) Property rights (5marks)
- (e) Coarse theorem and rent seeking (4marks)

Question five

- (a) Using relevant examples, describe the concept of externalities as applied to public sector economics. (10marks)
- (b) Consider a scenario in which a given community is faced with a negative externality, such as dumping of wastes by a manufacturing firm in stream which is the main source of water supply. Explain the various regulatory and marketable policy instruments that can be used to mitigate this negative externality. (15marks)

Question six

- (a) Explain the conditions that are necessary for markets to attain efficient allocation of resources in the economy. (7marks)
- (b) Consider an economy with two individuals (A and B) consuming two goods (X and Y) and using two fixed inputs (Capital and Labour). Use the edge worth box to illustrate and explain how such an economy attains resource efficiency in consumption and production (18marks)

END (GOOD LUCK)