

PUBLIC ECONOMICS



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EXERCISES

TOPIC 3.2: OTHER PUBLIC INCOME

EXERCISE 1

Analyse the pros and cons of a public sector being financed primarily (in addition to taxes) with public prices.

EXERCISE 2

Analyse the pros and cons of a public sector being financed primarily with money (seigniorage).

EXERCISE 3.

Analyse the pros and cons of a public sector being financed primarily with public debt.

EXERCISE 4

Analyse the pros and cons of a public sector being financed primarily with privatizations.

EXERCISE 5

What would be the main reasons for privatization?

EXERCISE 6

What are the main effects of privatization?

EXERCISE 7

1. How do countries obtain most of their non-tax revenues? Through:
 - a) Privatisation.
 - b) Money.
 - c) Public debt.
 - d) None of the above-mentioned answer is correct

2. The following are called public prices:
 - a) The prices at which public enterprises sell their products.
 - b) The prices charged by private regulated companies.
 - c) Answers a) and b) are correct.
 - d) None of the answers is correct.

3. Any optimal taxation rule is applicable to the problem of:
 - a) Marginal cost pricing.
 - b) Optimal public price setting.
 - c) Loss financing.
 - d) Multiblock pricing.

4. Any optimal public pricing rule must comply with:
 - a) Be compatible with company incentives to reduce production costs.
 - b) Use information that is observable or verifiable by the regulator without large costs.
 - c) Generate increased consumer surplus.
 - d) All the answers are correct.

5. Which objective(s) is/are achieved with respect to monetary policy?
 - a) To regulate the creation of bank money.
 - b) To provide cheap finance to the Public Sector.
 - c) Provide security for depositors.
 - d) All the answers are correct.

6. The public deficit can be financed by:
 - a) Money creation.
 - b) External borrowing.
 - c) Issuing public debt.
 - d) All the answers are correct.

7. Which of the following is correct when talking about privatizations?
 - a) It worsens economic efficiency.
 - b) It can be pursued in pursuit of electoral goals.
 - c) It is more inefficient through fiscal mechanisms and direct income transfers.
 - d) It does not seek to raise revenue.