

## Public Economics

1. All of the following are sources of market failure in health care markets except
  - a. Moral hazard by people with health insurance
  - b. Over-consumption by consumers
  - c. Negative externalities when people get vaccines against contagious diseases
  - d. Adverse selection by people who buy health insurance

**Answer: c**

2. Borda method of voting rule requires which of the following
  - a. Ranking of preferences by voters
  - b. Number of voters to be odd
  - c. Giving equal weight to each preference
  - d. Number of voters to be even

**Answer: a**

3. Public goods are likely to be under-supplied in a free market because . . .
  - a. consumers prefer private goods.
  - b. free-riders will only provide them for themselves.
  - c. a private producer cannot exclude non-paying consumers from the benefits.
  - d. they are too costly for private producers to produce.

**Answer: c**

4. To avoid excess burden of tax we should have
  - a. Low marginal tax rate
  - b. Zero marginal tax rate
  - c. Progressive tax rate
  - d. Proportional tax rate

**Answer: b**

5. Tax Evasion will arise if

- a.  $p < \frac{1}{1+F}$
- b.  $p > \frac{1}{1+F}$
- c.  $p = \frac{1}{1+F}$
- d.  $p < \frac{1}{1-F}$

**Answer: a**

