



**AFRICAN ECONOMIC RESEARCH CONSORTIUM**  
**Collaborative Masters Programme in Economics for Anglophone Africa**  
**(Except Nigeria)**

**JOINT FACILITY FOR ELECTIVES (JFE) 2011**  
**JUNE - SEPTEMBER**

**PUBLIC SECTOR ECONOMICS II**

**Second Semester: Final Examination**

**Duration: 3 Hours**

**Date: Wednesday, September 21, 2011**

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**INSTRUCTIONS:**

1. This examination has **SIX QUESTIONS**.
  2. You are required to attempt **ANY FOUR QUESTIONS**.
  3. Each question carries **TWENTY FIVE** marks.
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**Question 1**

- (a) Briefly comment on the various types of taxes that exist in your country and on their respective rationale. **(6 marks)**
- (b) In a developing country, the best tax to minimize distortions and maximize government revenue is an indirect tax. Discuss. **(19 marks)**

**Question 2**

- (a) Differentiate between tax buoyancy and tax elasticity. **(5 marks)**
- (b) "In low income countries there is a positive link between tax buoyancy and monetization" Do you agree with this statement? Support your answer using empirical evidence. **(20 marks)**

**Question 3**

- (a) Critically examine Allingham and Sandmo (1972) model in explaining tax evasion behavior in Africa. **(18 marks)**
- (b) As an economist, which measures do you propose, to tax the informal/unrecorded sector, which accounts for a large part of the economy in many African countries? **(7 marks)**



#### **Question 4**

Compare and contrast the budgetary process of any two African economies and assess the extent to which civil society can play a role in such an exercise. **(25 marks)**

#### **Question 5**

- (a) Is there any best way of financing budget deficit? **(12 marks)**
- (b) The main macroeconomic variable affecting budget deficit is trade deficit? Discuss **(13 marks)**

#### **Question 6**

- (a) Critically examine the normative and the positive theories of local public finance, in determining the optimal size of a jurisdiction. **(12 marks)**
- (b) "To reduce the flypaper effect and political influence, intergovernmental transfers should take the form of matching grants and be allocated using allocation formulas." Critically examine this statement, supporting your answer using empirical evidence from the African continent. **(13 marks)**