

THE NATIONAL UNIVERSITY OF IRELAND, GALWAY  
OLLSCOIL NA hÉIREANN, GAILLIMH

SUMMER EXAMINATIONS 1999

**PUBLIC FINANCE (EC318)**

Third Year Commerce

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**Time allowed: TWO hours.**

**Answer THREE questions.**

1. The reluctance of individuals to contribute voluntarily to the support of public goods is referred to as the free rider problem. Discuss the usefulness of the Clarke-Groves mechanism as a solution to the free rider problem.
2. How might you solve the problem of optimal group size in the cases of clubs, co-operatives and communities?
3. The desire of bureaucrats to increase the size of his or her budget seems to provide an explanation for many aspects of bureaucratic behaviour and the consequent efficiency of public good provision. Discuss.
4. (a) Outline the possible sources of the discount rate used by governments to evaluate public sector projects.

**OR**

- (b) How is risk dealt with when doing cost benefit analysis.
5. Has Ireland a poverty problem, an inequality problem, or both?