



Name: \_\_\_\_\_ N° \_\_\_\_\_ Class \_\_\_\_\_

**Economics and Public Finance**  
**ISEG - School of Economics and Management**

Progress Assessment Test, 7 April 2016 - Duration of the test: 45 minutes

1. **Fill in the response grid on this page**, making a cross (X) on the correct answer. In case of error, cross over and put the cross in another box.
2. **A right answer will be marked +1 point. A wrong answer will be marked -0.3 points.**
3. Reply only if you think there is a high probability of being the correct answer. If you have many doubts leave it blank.
4. **It is not allowed to use mobile phones, calculators, or computers. Improper use will lead to cancellation of the test.**
5. The student may only leave the room after the test has finished.
6. The student gives back both the answer page and the questions pages.

Good luck!

**Answer Grid:**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)
b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)
c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)
d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)



**1. The redistribution function of the Government incorporates, among other aspects:**

- A) Public provision of public goods.
- B) Tax policies that correct externalities.
- C) Public provision of merit goods.
- D) Promotion of the export industry.

**2. Which of the following statements fits in the context of the normative analysis of Public Finances?**

- A) According to the 2016 State Budget forecasts, the revenues from the Municipal Tax on Real Estate will increase by 2.3%.
- B) The duration of the Minimum Income Payments should be increased in order to allow a better and more efficient way of dealing with poverty and persistent economic inequality.
- C) Having access to bank accounts information implies some conflict between equity and liberty.
- D) The Council of Public Finances forecasts for 2016 real economic growth of 1.7%.

**3. The Government bought for the Portuguese Airforce new F-18 fighter jets. This decision can be framed, according to Musgrave's terminology, in the following function of the Government:**

- A) Distribution function.
- B) Allocation function.
- C) Stabilisation function.
- D) Defence function.

**4. The partial exemption in the payment of tuition fees in public universities, for students from lower income households:**

- A) Improves equity but worsens efficiency.
- B) Improves efficiency but worsens equity.
- C) Improves both efficiency and equity.
- D) It is neutral both for efficiency and for equity.

**5. The possibility that some decisions have an impact on effective government spending of a country being influenced by particular pressure groups occurs in the context of the analysis related to the conception of:**

- A) The Welfare State.
- B) The Minimum State.
- C) The Imperfect State.
- D) The Liberal State.

**6. One of the following statements false:**

- A) The supporters of the Minimum State argue that the role of the State is important to ensure the existence of the institutions necessary to the good functioning of markets.
- B) The supporters of the Welfare State consider that the distribution function is the most important function of the government.
- C) The supporters of the Imperfect State consider that without constitutional limitations, the size of the government in the economy can rise beyond control.
- D) The supporters of the Minimum State argue that Estado plays an important role in macroeconomic stabilization.



**7. The “golden rule” is a principle of the Public Finances system in the framework of:**

- A) Interventionist Public Finances and Modern Public Finances.
- B) Modern Public Finances and Classical Public Finances.
- C) Financial Constitutionalism and Classical Public Finances.
- D) In all Public Finances systems.

**8. Consider the individual and facultative option of vaccination against the flu. This is:**

- A) A private good whose consumption generates negative externalities. Therefore, the government intervenes on the price via a pigouvian tax.
- B) A private good whose consumption generates positive externalities. Therefore, the government intervenes on the price via a pigouvian subsidy.
- C) A public good whose individual consumption does not generate effects for other individuals.
- D) A public good whose individual consumption generates positive and negative externalities.

**9. Assuming the utility of the individuals depends exclusively of their income identify the measure that improves social welfare both for utilitarianism and for rawlsianism:**

- A) Reduction of the VAT tax rate in restaurants from 23% to 13%.
- B) Increase in social payments to households in a situation of poverty, without any increase in taxes.
- C) Reduction in the value of the tuition fees in the public universities.
- D) Increase of 2% in all old age pensions.

**10. The government wants to determine the optimal quantity of national defence for 2017. We can state that:**

- A) As in any other good, the optimal quantity can be determined by the market rules.
- B) The optimal quantity is the one for which the price equalises the private marginal benefit to the marginal production cost.
- C) The optimal quantity is the one for which the fiscal price equalises the sum of the private marginal benefits, revealed by the individuals.
- D) The determination of the optimal quantity implies knowing the marginal dispositions to pay for each additional unit of the good, which are not revealed by the individuals.

**11. A municipality gives the management of a nursery to a private firm who fixes, per children, a monthly fee to be paid by the parents. This is a case of:**

- A) Public production and public provision.
- B) Public production and private provision.
- C) Private production and public provision.
- D) Private production and private provision.



**12. The introduction of tolls in a non-congested bridge:**

- A) Is not possible because of legal and technological reasons.
- B) Although legal, it is not possible due to technological reasons and it is also not possible to implement exclusion given its non-rivalry in consumption.
- C) Although legal and technologically possible, it is not economically desirable since it does not provide an efficient solution.
- D) It is legal, technologically possible, and improves efficiency.

**13. A municipality decides to provide free public transportation. This is a decision that:**

- A) Promotes equity and efficiency.
- B) Does not generate a conflict between equity and efficiency.
- C) Is oriented towards equity but generates an excessive utilization until when the marginal cost equals the marginal benefit.
- D) Is oriented towards equity but generates an excessive utilization until the marginal benefit becomes null.

**14. Given the principle of the ability to pay, each taxpayer should pay an amount of taxes according to:**

- A) Her labour income.
- B) Her time deposits income.
- C) Her total income, adjusted for the dimension of her household.
- D) Her gross income.

**15. If a tax system generates revenues that adequate to finance public spending and minimizes the distortionary effects on the agents' decisions, then it verifies the following characteristics:**

- A) Financial effectiveness and equity.
- B) Efficiency and financial effectiveness.
- C) Efficiency and transparency.
- D) Financial effectiveness and tax effectiveness.

**16. The government created a unitary tax on producers of a good, traded in a competitive market. The elasticity of supply is 1.5 and the elasticity of demand (module) is 0.5. Since the tax generated a tax revenue 100 mu:**

- A) The legal incidence is on the producer and the economic incidence on the consumer is 25 mu.
- B) The legal incidence is on the consumer and the economic incidence on the consumer is 75 mu.
- C) The legal incidence is on the producer and the economic incidence on the consumer is 75 mu.
- D) The legal incidence is on the consumer and the economic incidence on the producer is 25 mu.

**17. Identify a pigouvian tax in the Portuguese tax system:**

- A) Excise tax on alcohol and alcoholic beverages.
- B) Personal income tax.
- C) Municipal tax on real estate property.
- D) Value added tax.



**18. According to the benefits principle, hospital emergencies should be paid by:**

- A) All National Health System users.
- B) Hospital emergency users.
- C) The Social Security contributions.
- D) Taxes.

**19. Which of the following revenues are not effective revenues?**

- A) Revenue from selling Treasury Bills.
- B) Revenue from a speeding ticket.
- C) Revenue from selling a building of the Ministry of Defence.
- D) Revenue from a municipal tariff for sewer utilisation.

**20. The excess burden of taxation generated by a new tax on a given good corresponds approximately to:**

- A) The loss of global welfare for consumers and producers resulting from the tax.
- B) The difference between the loss of global welfare resulting from the tax and the tax revenues collected as the result of the tax.
- C) The loss of welfare for consumers resulting from the increase in the price.
- D) The difference between the tax revenues collected as the result of the tax and the loss of global welfare resulting from the tax.