

**Semester V**  
**B.A. (Honours) Economics**  
**DSE 6 (Group-I): PUBLIC ECONOMICS (6 Credits)**  
**Full marks: 100 (Mid Term-20 + End Term-80)**

**Course Description**

Public economics is the study of government policy from the points of view of economic efficiency and equity. The paper deals with the nature of government intervention and its implications for allocation, distribution and stabilization. Inherently, this study involves a formal analysis of government taxation and expenditures. The subject encompasses a host of topics including public goods, market failures and externalities. The paper is divided into two sections, one dealing with the theory of public economics and the other with the Indian public finances.

| <b>Units</b> |   | <b>No of Lecture Hours</b> | <b>No of Tutorial Hours</b> | <b>Marks</b> |
|--------------|---|----------------------------|-----------------------------|--------------|
| <b>1</b>     | <b>Fiscal functions:</b> An overview Meaning and Scope of Public Economics, Need for Public Sector, Allocation, Distribution and Stabilization functions of government, Co-ordination and Conflict of functions.  | 10                         | 2                           | 16           |
| <b>2</b>     | <b>Public Goods</b><br>Meaning and characteristics, Pure and Impure Public Goods, The Free Rider Problem, Efficient allocation of Public Goods- The Lindahl Equilibrium and Samuelson's theory of Public Expenditure.   | 15                         | 3                           | 16           |
| <b>3</b>     | <b>Externalities</b><br>Meaning and type of externalities, Market failure and externalities, Internalization of Externalities- Corrective taxes and Subsidies, Assignment of Property Rights- The Coase Theorem   | 15                         | 3                           | 16           |
| <b>4</b>     | <b>Public Revenue</b><br>Tax and Non tax revenue, Economic effects of taxation, Dead weight loss and distortion, Principles of Taxation- The Ability to Pay Principle and the Benefit Principle, Incidence of taxation- Meaning and importance, The Demand and Supply theory of Incidence, Neutrality, Efficiency and Equity in taxation, Optimal taxation.                 | 15                         | 3                           | 16           |
| <b>5</b>     | <b>Indian Public Finance</b><br>Tax system- Main features of India's Tax System, Changing Tax Structure of India, Major Tax Reform since 1991.<br><br>Budget, deficits and public debt- Stages of Budget preparation, Revenue and Capital Budget, Concept of Deficits- Budgetary Deficit, Revenue Deficit, Fiscal Deficit, Primary Deficit, Budgetary trend in India, Study | 20                         | 4                           | 16           |

|              |   |           |           |           |
|--------------|---|-----------|-----------|-----------|
|              | of latest Union Budget,<br><br>Public Debt- Necessity of Public Debt, Characteristics of India's Public Debt, India's internal and external debt liabilities, Problems of Public Debt policy.<br><br>Fiscal Federalism in India: Meaning, Inter governmental Resource Transfer - trend and techniques, Role of Finance Commission Critical evaluation of Finance Commission's Awards, Recommendations of the latest Finance Commission. |           |           |           |
| <b>Total</b> |   | <b>75</b> | <b>15</b> | <b>80</b> |

### Reading List:

1. J. Hindriks, G. Myles: *Intermediate Public Economics*, MIT Press, 2006.
2. H. Rosen, T. Gayer: *Public Finance*, 9th ed., McGraw-Hill/Irwin, 2009.
3. Joseph E. Stiglitz, *Economics of the Public Sector*, W.W. Norton & Company, 3<sup>rd</sup> edition, 2000.
4. R.A. Musgrave and P.B. Musgrave, *Public Finance in Theory & Practice*, McGraw Hill Publications, 5th edition, 1989.
5. John Cullis and Philip Jones, *Public Finance and Public Choice*, Oxford University Press, 1<sup>st</sup> edition, 1998.
6. Harvey Rosen, *Public Finance*, McGraw Hill Publications, 7th edition, 2005.
7. Mahesh Purohit, *Value Added Tax: Experiences of India and Other Countries*, 2007.
8. Kaushik Basu and A. Maertens (ed.), *The New Oxford Companion to Economics in India*, Oxford University Press, 2013.
9. M.M. Sury, *Government Budgeting in India*, 1990.
10. M. Govinda Rao, *Changing Contours of Federal Fiscal Arrangements in India*, Amaresh Bagchi (ed.), *Readings in Public Finance*, Oxford University Press, 2005.
11. Paul Samuelson, 1955, —Diagrammatic Exposition of a theory of Public Expenditure, *Review of Economics and Statistics*, Volume 37.
12. Shankar Acharya, 2005, —Thirty Years of Tax Reform in India, *Economic and Political Weekly*, May 14-20.
13. Rangarajan and D.K. Srivastava, 2005, —Fiscal Deficit and Government Debt: Implications for Growth and Stabilization”, *Economic and Political Weekly*, July 2-8.
14. M. Govinda Rao, 2011, —Goods and Services Tax: A Gorilla, Chimpanzee or a Genius like Primates?, *Economic and Political Weekly*, February 12-18.

15. Report of the 13<sup>th</sup> Finance Commission, 2010-15.

16. *Economic Survey*, Government of India (Latest).

17. *State Finances: A Study of Budgets*, Reserve Bank of India (Latest).