

Semester VI
B.A. (Non-Honours) Economics
DSE 6: PUBLIC FINANCE (6 Credits)
Full marks: 100 (Mid Term-20 + End Term-80)

Course Description

This course is a non-technical overview of government finances with special reference to India. The course does not require any prior knowledge of economics. It will look into the efficiency and equity aspects of taxation of the centre, states and the local governments and the issues of fiscal federalism and decentralisation in India. The course will be useful for students aiming towards careers in the government sector, policy analysis, business and journalism.

| Units | | No of Lecture Hours | No of Tutorial Hours | Marks |
|--------------|--|----------------------------|-----------------------------|--------------|
| 1. | Fiscal Functions Public Finance: Meaning and Scope, Normative Approach to Public Finance- Allocation, Distribution and Stabilization function of government, Welfare Economics and Government Intervention- Pareto Efficiency, Equity vs. Efficiency, Concept of Market Failure. | 15 | 3 | 16 |
| 2. | The theory of Public Goods Public Goods- Meaning and characteristics, Public Goods and Market Failure, Pure and Impure Public Goods, The Free Rider Problem, Efficient Allocation of Public Goods- The Lindahl Equilibrium, Samuelson's theory of Public Expenditure. | 15 | 3 | 16 |
| 3 | Externalities Meaning and types of Externalities and Market Failure, Internationalization of Externalities, Corrective taxes and Subsidies, Pollution Permits, Regulation and Direct Control, Assignment of Property Rights- The Coase Theorem | 15 | 3 | 16 |
| 4 | Elementary theories of Product and Factor taxation Concept of shifting and Incidence, Forward and Backward Shifting, The Demand and supply theory of Incidence, Incidence of Product taxes (Specific tax and Lump Sum Tax) under Perfect Competition and Monopoly, Incidence of Factor taxes under Perfect Competition and Monopoly. | 15 | 3 | 16 |
| 5 | Issues from Indian Public Finance Working of Monetary and Fiscal Policies, Current Issues of India's Tax System, Analysis of Budget and Deficits, Fiscal Federalism in India, State and Local Finances. | 15 | 3 | 16 |
| Total | | 75 | 15 | 80 |

Reading list:

1. Musgrave, R.A. and P.B. Musgrave, *Public Finance in Theory and Practice*, Mc-Graw Hill, 1989.
2. Mahesh Purohit , "*Value Added Tax: Experience of India and Other Countries*", Gayatri Publications, 2007.

3. Kaushik Basu, and A. Maertens (ed.), *The Oxford Companion to Economics in India*, Oxford University Press, 2007.
4. M.M Sury, *Government Budgeting in India*, Commonwealth Publishers, 1990.
5. Shankar Acharya, "Thirty years of tax reform" in India, *Economic and Political Weekly*, May 2005.
6. Government of India, *Report of the 13th Finance Commission*.
7. *Economic Survey*, Government of India (latest).
8. *State Finances: A Study of Budgets*, Reserve Bank of India (latest).