

CORE COURSE - IV - PUBLIC ECONOMICS

Module -1 : Theory of public Goods and Public Choice

The economic role of government-Allocation, Growth and Stabilisation – Private goods, public goods, and merit goods; Market failure-imperfections, decreasing costs, externalities, public goods; Uncertainty and non-existence of futures markets; Informational asymmetry-Theory of second best- Private and public mechanism for allocating resources; Problems of allocating resources; Problems of preference revelation and aggregation of preferences; Voting systems; Arrow impossibility theorem; An economic theory of democracy; Politico-economic bureaucracy; Rent seeking and directly unproductive profit seeking (DUP) activities.

Module -2 : Public Expenditure

Wagner's law of increasing state activities; Wiesman-Peacock hypothesis; Pure theory of public expenditure; Structure and growth of public expenditure; Criteria for public investment; Social cost-benefit analysis-Project evaluation, estimation of costs, discount rate; Reforms in expenditure budgeting; Programme budgeting and zero base budgeting.

Module -3 : Taxation and Public Debt

Theory of incidence; Alternative concepts on incidence– Allocative and equity aspects of individual taxes; Benefit and ability to pay approaches; theory of optimal taxation; Excess burden of taxes Trade off between equity and efficiency-Laffer curve - Theory of measurement of dead weight losses; the problem of double taxation-The rationale behind VAT – Indian tax structure and trends.

Public debt-Classical view of public debt; Compensatory aspect of debt policy; Burden of public debt; Sources of public debt; Debt through created money; Public borrowings and price level; Crowding out of private investment and activity; principles of debt management and repayment.

Module -4 : Fiscal Policy

Objectives of fiscal policy-full employment, anti-inflation, economic growth, redistribution of income and wealth; interdependence of fiscal and monetary policies; Budgetary deficit and its implications; fiscal policy for stabilization-automatic vs. discretionary stabilization; Alternative measures of resource mobilization and their impact on growth, distribution and prices; Balanced budget multiplier-Meaning and significance of budgetary terms: revenue account, capital account, fiscal deficit and other types of deficit; Budget Estimate, and Revised Estimate – Plan and non-plan expenditures.

Module -5 : Fiscal Federalism

Principles of multi-unit finance; Fiscal federalism in India; Vertical and horizontal imbalance; Assignment of function and sources of revenue; Constitutional provisions; finance Commission and Planning Commission; Devolution of resources and grants; Theory of grants; resource transfer from Union to States-Criteria for transfer of resources; Centre-State financial relations in India; Problems of state's resources and indebtedness; Transfer of resources from union and State to local bodies.

Reference:

1. Atkinson, A.B. and J.E. Siglitz (1980), Lectures on Public Economics, Tata McGraw Hill, New York.
2. Auerbach, A.J. and M. Feldstern (Eds.) (1985), Handbook of Public Economics, Vol.1, North Holland, Amsterdam.
3. Buchanan, J.M. (1970), The Public Finances, Richard D. Irwin, Homewood.
4. Goode, R. (1986), Government Finance in Developing Countries, Tata McGraw Hill, New Delhi.
5. Houghton, J.M. (1970), The Public Finance: Selected Readings, Penguin, Harmondsworth.
6. Jha, R. (1998), Modern Public Economics, Routledge, London.
7. Menutt, P. (1996), The Economics of Public Choice, Edward Elgar, U.K.
8. Musgrave, R.A. (1959), The Theory of Public Finance, McGraw Hill, Kogakusha, Tokyo.
9. Musgrave, R.A. and P.B. Musgrave (1976), Public Finance in Theory and Practice, McGraw Hill, Kogakusha, Tokyo.
10. Shoup, C.S. (1970), Public Finance, Aldine, Chicago.
11. Shome, P. (Ed.) (1995), Tax Policy : Handbook, Tax Division, Fiscal Affairs Department, International Monetary Fund, Washington D.C.
12. Srivastava, D.K. (Ed.) (2000), Fiscal Federalism in India, Har Anand Publishers, New Delhi.
13. Reports of various Finance Commissions.