

PAPER IV – FISCAL ECONOMICS

Module 1

Introduction – The theory of social goods – Partial equilibrium and general equilibrium approach to social goods – Market failure – Public goods, merit goods and mixed goods – social Bads – External costs and pollution – Cost benefit analysis – Pricing of public utilities – Arrow's Impossibility Theorem.

Module 2

Public Expenditures – structure and growth – Causes – Evolution – Indian public expenditure – Appraisal – Wagner's Law of increasing state activities – Wiseman – Peacock Hypothesis; Pure theory of public expenditure.

Module 3

Public Revenue structure – Taxation principles – New theory of Fiscal incidence – Effects on efficiency and capacity output – The rationale behind VAT – Indian Tax Structure and trends.

Module 4

Fiscal Stabilization – Fiscal effects on aggregate demand and employment – Effects on inflation – Economics of the public debt – Automatic Vs discretionary stabilization – Built in flexibility – Functional Finance – Principles of debt management and repayment.

Module 5

Fiscal policy – objectives – Fiscal policy during planning in India – Budgetary process – Deficit financing for development – Theory of Federal Finance – Finance Commissions (Last Two) and Federal Finance in India.

References:

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| 1. Musgrave and Musgrave | : Public Finance and Policy |
| 2. Lakdawala | : Union State Financial Relations |
| 3. A.P.Gupta | : Fiscal Policy for Employment generation |
| 4. Houghthn | : Readings in Public Finance |
| 5. Ved Gandhi | : Some aspects of India's Tax Structure |
| 6. T.Mathew | : Economics of Public Expenditure |
| 7. Broom and Jackson | : Public Economics (St. Martin & Co) Paper back. |