

Discipline Specific Elective 14 (DSE-14): Public Economics

Semester	Course title & Code	Credits	Duration (per week)			Eligibility Criteria	Prerequisite
			Lecture	Tutorial	Practical/ Practice		
V/VII	Public Economics – ECON045	4	3	1	0	Class 12 th Pass	Intermediate Microeconomics II (ECON010)

Learning Objectives

The Learning Objectives of this course are as follows:

- Public economics is the study of government policy from the points of view of economic efficiency and equity.
- The course deals with the nature of government intervention and its implications for allocation, distribution and stabilization problems.
- 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 course is divided into two sections, one dealing with the theory of public economics and the other with the Indian public finances.

Learning outcomes

The Learning Outcomes of this course are as follows:

- The course aims to introduce students to the main theoretical and empirical concepts in public economics, equip students with a thorough analytical grasp of implications of government intervention for allocation, distribution and stabilization, and familiarise students with the main issues in government revenues and expenditure.
- At the end, the students should be able to demonstrate their understanding of the public economics.

Syllabus

UNIT I: Public Economic Theory

- Role of Public Sector - Justification of the Public Sector; Public Sector Growth; Excessive Government
- Political Economy of Public Sector - Public Mechanisms for allocation; Market and Non-Market Mechanism; Theory of Rent Seeking
- Taxation - Economic Effects of Tax; Tax incidence; Dead Weight Loss and Distortion; Efficiency and Equity Considerations; Optimal taxation; Commodity tax; Ramsey rule.

UNIT II: Indian Public Finances

- Tax System – Indian Tax system; Structure and Reforms. Budget, Deficits and Public debt

Recommended readings

- Cullis, J., Jones, P. (1998). Public finance and public choice, 2nd ed. Oxford University Press.
- Hindriks, J., Myles, G. (2013). Intermediate public economics, 2nd ed. MIT Press.
- Stiglitz, J. E. and Rosengard J. K. (2015). Economics of the Public Sector, 4th ed., W. W. Norton.
- Rao, M. Govinda and Sudhanshu Kumar (2017). "Envisioning Tax Policy for Accelerated Development in India," Working Paper No. 190, National Institute of Public Finance and Policy (NIPFP).