

Public Finance

Course Code: IEC02C006T

Course Title: Public Finance

Semester: IV

Credits: 4

Rationale: This course encompasses a host of topics including market failure, externalities, and the creation and implementation of government policy. Public Finance builds on the theory of welfare economics and is ultimately used as the tool to improve social welfare.

Course Outline:

Contents	No. of Lectures
Unit I: Public Finance and Public Goods Theory Nature and scope of Public Finance; different types of Goods: Public, Private, Club and Merit Goods; Market failure- nature and causes; Role of Government in the provision of goods; Theory of Public Goods: Voluntary Exchange Theory, Ability to pay, Benefit approach; Free rider problem; Externalities.	08
Unit II: Theories of Resource Mobilization The prior-saving approach, Keynesian approach, Quantity theory of internal resource mobilization; Tax and Non-Tax Resources; Benefits and Ability to Pay Approaches to Taxes; Deadweight Losses; Excess Burden; Trade-Off Between Equity and Efficiency; Shifting and Incidence of Tax; General Equilibrium Analysis – the Harberger model; Theory of Optimal Taxation.	08
Unit III: Theories of Public Expenditure Theories of public expenditure-Pure, Wiseman- Peacock and Wagner; Empirical evidence on Public expenditure theories; Public Sector Pricing- pricing of Public Utilities; Concept, Measurement and Magnitude of subsidies.	08
Unit IV: Theories of Public Debt Public Debt; Sources of Public Debt; Burden Controversy of Public Debt—Classical Theory, Modern Theory, Buchanan Thesis, Secondary Burden of Public Debt; Public Debt and Inflation; Redemption of Public Debt and Debt Management; Issues related to Public Debt Sustainability.	08
Unit V: Budgeting Fiscal Policy and Evaluation of Public Investment Projects Budget- types of Budget; Structure of Central Government Budget; Performance and Programme Budgeting System (PPBS)- Rationale of PPBS; Zero Based Budgeting, Theory of fiscal policy with special reference to India. Project evaluation: Cost benefit Analysis; Shadow Pricing, Discount Rate	08

Course Outcomes

Upon successful completion of the course, the candidates will be able to

- 1: Gain insights into the role of government in the economy, including its functions, objectives, and policies related to taxation, spending, and resource allocation.
- 2: Understand the principles and tools of fiscal policy, including taxation, government expenditure, budgeting, and debt management, and how these policies influence economic stability and growth.
- 3: To analyze issues related to public debt, deficit financing, borrowing policies, and their implications for economic stability, intergenerational equity, and fiscal sustainability.

Text Books:

- Hyman, D.N. (2016), *Public Finance: A Contemporary Application of Theory to Policy*, Cengage Learning
- Gruber J(2016), *Public Finance and Public Policy*, 7th Ed., McMillian Learning
- Rosen and Gayer (2013), *Public Finance: Tata Mc- Graw Hill*
- Mugrave R A and P B Mugrave (2004), *Public Finance in Theory and Practice: Tata Mc- Graw Hill*
- Ulbrich, H. (2004): *Public finance in Theory and Practice*, Thomson- South Western., Singapore

Suggested Readings:

- Singh C(2018), *Debt Management in India: Cambridge University Press*
- Thirwall A.P. 10th Edition(2017): *Economics of Development: Theory and Evidence*, Palgrave MacMillan
- Chakraborty S L.(2016), *Fiscal Consolidation, Budget Deficits and the Macro Economy*, Sage Publications
- Rao Govinda M. And Mihir Rakshit(Ed.) (2011), *Public Economics Theory and Policy: Essays in Honor of Amaresh Bagchi*, Sage Publications
- Hindrinks Jean and Gareth D. Myles (2007): *Intermediate Public Economics*, Prentice-Hall of India
- Cullis John & Philip Jones (2009): *Public Finance & Public Choice- Analytical Perspectives 3rd Ed.*, Oxford University Press
- Martin Feldstein, A.J. Auerbach (1985): *Handbook of Public Economics*, North Holland
- Jha, Raghbendra. (1987): *Modern Theory of Public Finance*, Wiley Eastern, Delhi