

## **HU 406: Public Finance and Policy**

Contact Hours- 04 (per week)

Examination Duration- 03

Credits- 04 (4-0-0)

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

### **Course Outline**

#### **Unit I: Public Economic Theory**

Fiscal functions: an overview.

**Unit II:** Public Goods: definition, models of efficient allocation, pure and impure public goods, free riding. Externalities: the problem and its solutions

**Unit III:** Taxation: its economic effects; taxes versus regulation, property rights, the Coase theorem, dead weight loss and distortion, efficiency and equity considerations, tax incidence, optimal taxation.

#### **Unit IV: Indian Public Finances**

Tax System: structure and reforms, Budget, deficits and public debt, Fiscal federalism in India

#### **Readings:**

1. Joseph E. Stiglitz, *Economics of the Public Sector*, W.W. Norton & Company, 3rd edition, 2000.
2. John Cullis and Philip Jones, *Public Finance and Public Choice*, Oxford University Press, 1st edition, 1998.
3. M. Govinda Rao, 2011, “Goods and Services Tax: A Gorilla, Chimpanzee or a Genius like Primates?”, *Economic and Political Weekly*, February, pp. 12-18.
4. Harvey Rosen, *Public Finance*, McGraw Hill Publications, 7th edition, 2005.
5. Mahesh Purohit, *Value Added Tax: Experiences of India and Other Countries*, 2007.
6. Kaushik Basu and A. Maertens (ed.), *The Oxford Companion to Economics in India*, Oxford University Press, 2007.
7. M.M. Sury, *Government Budgeting in India*, 1990.
8. M. Govinda Rao, *Changing Contours of Federal Fiscal Arrangements in India*, Amresh Bagchi (ed.), *Readings in Public Finance*, Oxford University Press, 2005.
9. Shankar Acharya, 2005, “Thirty Years of Tax Reform in India”, *Economic and Political Weekly*, May, pp. 14-20.
10. Rangarajan and D.K. Srivastava, 2005, “Fiscal Deficit and Government Debt: Implications for Growth and Stabilization”, *Economic and Political Weekly*, July 2-8.
11. *Economic Survey*, Government of India (Latest).

12. *State Finances: A Study of Budgets*, Reserve Bank of India (Latest).