

St. Xavier's College (Autonomous), Ahmedabad

FACULTY OF ARTS

DEPARTMENT OF ECONOMICS (SF)

BA. Hons. (Economics) SF

SEMESTER-6

Minor Course (Subject Minor): Public Economics

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course Title & Code	Credit Distribution of The Course			Eligibility Criteria	Pre-requisite(s) of the Course (if any)
	Lectures	Tutorial	Practical / Practice		
Public Economics (ECHMN662C)	4	0	0	10 + 2 from a recognized board in any stream	NA

Learning Objectives:

1. Explain the role of government in addressing market failures.
2. Distinguish between different types of public goods and externalities.
3. Understand the principles and economic effects of taxation and public expenditure.
4. Analyse public debt, government budgets and fiscal deficits.

Course Outcomes:

1. Understand the scope, concepts and significance of Public Economics.
2. Analyse market failures, public goods, externalities and welfare issues, and evaluate the rationale for government intervention in the economy.
3. Examine the theories and practices of public expenditure, public revenue and taxation, including principles of taxation, tax incidence and their economic effects.
4. Evaluate public policies, fiscal measures and public sector activities with reference to efficiency, equity, social welfare and contemporary issues in public finance.

Unit 1: Introduction to Public Economics and Market Failure

Meaning, nature and scope of Public Economics, Public sector and its role in a mixed economy, Public goods, private goods, merit goods and mixed goods, Characteristics of public goods: non-rivalry and non-excludability, Free-rider problem, Market failure: concept and causes, Externalities: positive and negative externalities, Government intervention to correct externalities, Pigouvian taxes and subsidies, Coase theorem, Government provision of public goods

Unit 2: Public Expenditure

Meaning, nature and classification of public expenditure, Causes and growth of public expenditure, Wagner's Law of increasing state activity, Peacock-Wiseman hypothesis, Effects of public expenditure on production, distribution and economic growth, Public expenditure and social welfare, Cost-benefit analysis, Transfer payments and subsidies, Trends and composition of public expenditure in India

Unit 3: Public Revenue and Taxation

Meaning and sources of public revenue, Tax and non-tax revenue, Canons/principles of taxation, Classification of taxes: direct and indirect; proportional, progressive and regressive taxes, Ability-to-pay and benefit principles of taxation, Incidence and shifting of taxation, Taxable capacity, Effects of taxation on production, consumption, saving and investment, Optimal taxation: basic idea, GST in India: concept, structure and economic significance

Unit 4: Public Debt, Budget and Fiscal Policy

Meaning, sources and classification of public debt, Internal and external debt, Burden of public debt, Debt sustainability and debt management, Public budget: meaning, objectives and types, Revenue and capital budgets, Budget deficit, fiscal deficit, revenue deficit and primary deficit, Fiscal policy: objectives and instruments, Fiscal policy and economic stability, growth and employment, Fiscal federalism: meaning and principles, Centre–State financial relations in India, Finance Commission and devolution of resources

References:

1. Musgrave, R.A. & Musgrave, P.B., *Public Finance in Theory and Practice*
2. H.L. Bhatia, *Public Finance*
3. J.E. Stiglitz & J.K. Rosengard, *Economics of the Public Sector*