

Name of the Programme: M. A. Economics

Course Code: ECO-502

Title of the Course: Public Economics and Public Policy

Number of Credits: 4

Effective from AY: 2022-2023

<u>Prerequisites for the course:</u>	Graduate in any discipline	
<u>Objective:</u>	This course will provide students a basic understanding of welfare economics, market failure, tax, and public expenditure	Contact Hours
Content	Module 1 Public Economics- Nature and need. Role of Government – effect of the intervention. Policy Debates over Social Security, Health Care, and Education. Fundamental theorems of welfare. Social Welfare Functions. Economic efficiency, and Pareto optimality, Dalton’s Principle of maximum social advantage, Pigou’s concept of welfare.	15
	Module 2: Market Failure - causes, Externalities – types, Private-Sector Solutions to Negative Externalities, Public-Sector Remedies for Externalities, information asymmetry and Third Best Policies. Optimal Provision of Public and private Goods, Free rider Problem, Voting – majority voting, Arrow’s Impossibility Theorem, Median Voter Theory	15
	Module 3: Principles of Taxation –Principle of Fiscal Neutrality, Excess Burden, Doctrine Principle of Equity, Benefit Principle, Bowen and Lindhal Models, Ability to pay Principle. Meaning, types and Measurements of Tax Capacity, Incidence of Tax- Issues in Efficiency and Equity, Deadweight losses. Theory of Optimal taxation	15
	Module 4: Nature and composition of public expenditure, Criterion for Public Expenditure- Social Cost-Benefit Analysis. Wagners Law of Expanding state activity, The Tiebout Model. Fiscal Federalism in	15

	India -Devolution of resources and grants	
<u>Pedagogy:</u>	<ul style="list-style-type: none"> ● Chalk and talk aided by ICT enabled lectures ● PC lab exercises ● Assignments and presentations ● Group activity ● MOOC (or similar) Component 	
<u>References/Readings</u>	<p>Core readings</p> <p>C1. Gruber, J. (2005). Public Finance and Public Policy. Worth Publishers.</p> <p>Additional References</p> <p>A1. J. V. M. Sarma (2018). Public Finance: Principles and Practices. Oxford University Press, New Delhi</p> <p>A2. Raghbendra Jha (1998) Modern Public Economics, Routledge, London</p> <p>A3. Gareth D. Myles (1995) Public Economics, Cambridge University Press, Cambridge</p>	
<u>Learning Outcomes</u>	The students will be able to understand the fundamental theories of public economics, reasons for market failure, and taxation.	