

**ST.JOSEPH'S COLLEGE FOR WOMEN (AUTONOMOUS), VISAKHAPATNAM**

VIII SEMESTER

Time: 5Hrs/Week

Max.Marks:100

**ECONOMICS (HONOURS)**

**ECA-8701-(4)**

**PUBLIC ECONOMICS**

**OBJECTIVES: students are able to**

- Explain and illustrate the basic concepts and principle of public finance
- Discuss different theories of taxation.
- Distinguish between different tax systems and different types of taxes with reference to Indian tax system.
- Make detailed analysis of the impact and incidence of taxation

**Course Outcomes:**

On successful completion of this course, the students will be able to

- Discuss theories of public expenditure with reference to public expenditure practices in India.
- Explaining the concept of debt burden and its effect discuss different methods of redemption of public debt in the Indian economy.
- Examine the objectives and various instruments of fiscal policy with reference to the budget of Indian government.
- Discuss the role of finance commission in devolution of funds to states in conformity with the principles of federal finance.

**Module 1: Introduction to Public Finance and Market Failure (12 Hours)**

Meaning, Nature, Scope, Importance of Public Finance - Public vs Private Finance - Principal of Maximum Social Advantage – Types of Goods: Private, Public, Merit, Club – Problems of Market Failure, Externalities and Free Riding and Solutions.

**Module 2: Public Revenue (12 Hours)**

Sources of Revenue: Tax and Non-tax - Cannons of Taxation – Theories of Taxation: Socio-Political Theory, Benefit Received Theory, Ability to Pay Theory - Tax Systems: Progressive, Proportional, Regressive - Types of Taxes: Direct and Indirect – Incidence and Effects of Taxation – Non-Tax Revenues – Shares of Tax and Non-Tax Revenues in India.

**Module 3: Public Expenditure (12 Hours)**

Principles of Public Expenditure (PE) – Classification and Effects of PE – Theories of PE: Wagner's Law, Peacock-Wiseman, Colin-Clarks Critical Limit Theory – Determinants of PE – Public Expenditure Practices in India - Criteria for Public Investment - Social Cost Benefit Analysis - Pricing Policies of Public Sector Enterprise

**Module 4: Public Debt and Budget (14 Hours)**

Public Debt (PD): Meaning, Types, Sources - Effects and Burden of PD – Theories of PD: Classical Theory, Barro-Ricardo Equivalence, Keynesian Approach - Shifting and Redemption of PD – Public Debt Management in India - Budget: Meaning, Importance,

Types - Basic Concepts and Deficits in Budget – Budget Multiplier - Fiscal Discipline and Consolidation, FRBM Act – Brief Analysis of a Recent Budget in India.

### **Module 5: Fiscal Policy and Fiscal Federalism**

**(12 Hours)**

Fiscal Policy: Meaning, Objectives and Functions - Principles of Multi-Unit Finance - Fiscal Federalism in India and Constitutional Provisions - Vertical and Horizontal Fiscal Imbalances - Recent Finance Commission: Objectives and Recommendations – Issues and Challenges of Fiscal Federalism and State Governments Finances in India.

### **Reference Books:**

1. Musgrave, R. A. & Musgrave, P. B. (2004), *Public Finance in Theory and Practice*. Fifth edition, TATA McGraw-Hill
2. Tyagi, B.P., “Public Finance”, Jai Prakash Nath Co., 1992.
3. Bhatia H.L., “Public Finance”, Vikas Publishing House Pvt.Ltd., 1984.
4. Dalton, H., “Principles of Public Finance”, Routledge, 1st Edition, 2009.
5. Stiglitz, J. E (2000), *Economics of the Public Sector*. W W Norton
6. Rangarajan, C. and D. K. Srivastava (2011), *Federalism and Fiscal Transfers in India*. Oxford University Press, New Delhi.
7. Open Source Online Materials & Videos: IGNOU, e-PG Pathasala, Economic Survey, SWAYM, Khan Academy etc.

### **Activities Suggested:**

1. Make poster presentation of Indian tax system with revenue details from recent budget.
2. Organise debates on the growth of public expenditure in India and its management.
3. Assignments on the management of deficits and public debt
4. Watch budget presentation Guest Lectures on recent budget of centre and state.
5. Quiz sessions on the recommendations of fiancé commissions with justification for changes in criteria/ quantum of devolution.

