

Generic Elective (GE-7): Theory of Public Finance

Semester	Course title & Code	Credits	Duration (per week)			Eligibility Criteria	Prerequisite
			Lecture	Tutorial	Practical/ Practice		
III/V/VII	Theory of Public Finance – ECON061	4	3	1	0	Class 12 th Pass	Introductory /Principles of Microeconomics

Learning Objectives

The Learning Objectives of this course are as follows:

- This course will look into the efficiency and equity aspect of market mechanism of allocating resources and also the design and implications of public sector policies including taxation and monetary policies.
- It will deal with efficiency, equity, public goods, externalities, taxation, subsidies, fiscal multiplier, money supply, interest rate and their interlinkages.

Learning outcomes

The Learning Outcomes of this course are as follows:

- This course aims to develop the broad conceptual frameworks which will enable students to learn economic issues efficiency, equity, public goods, externalities, taxation, subsidies, fiscal multiplier, money supply, interest rate and their interlinkages.
- It will also allow them to critically evaluate various micro and macro aspects of government policies and their effects on output, distribution, and welfare in the economy.
- The course will be useful for students aiming towards careers in the government sector, policy analysis, business and journalism.

Syllabus

UNIT I: Theories of Public Sector and Market Mechanism (12 hours)

Overview of Fiscal Functions; Tools of Normative Analysis; Pareto Efficiency; General Equilibrium Framework; Equity and the Social Welfare

UNIT II: Market Failure (12 hours)

Sources of Market failures; Public Goods; and Externalities.

UNIT III: Theories of Taxation (12 hours)

Product and Factor tax; Tax Burden; Tax Distortions; Tax Design

UNIT IV: Working of Fiscal and Monetary Policies (9 hours)

Fiscal policy; Banking system and creation of Money; Monetary Instruments and Policies; Fiscal and Monetary Management in Indian Context.

Recommended readings

- R.A. Musgrave and P.B. Musgrave, *Public Finance in Theory and Practice*, 5th Edition.
- Rosen, H. & Gayer, T. (2014). *Public Finance* (10th ed.). New York: McGraw-Hill.
- Stiglitz, J E & Rosengard J K (2015), *Economics of the Public Sector*, 4th ed, W.W. Norton.

- Jonathan Gruber, (2011), Public Finance and Public Policy, 3rd edition, Worth Publishers.
(MainTextbook)
- Cullis, J., Jones, P. (1998). Public finance and public choice, 2nd ed. Oxford University Press.
- Hindriks, J., Myles, G. (2013). Intermediate public economics, 2nd ed. MIT Press.
- A. Bagchi (ed.): Readings in public finance. Oxford University Press.
- Stiglitz, J. (2009). Economics of the public sector, 3rd ed. W. W. Norton.

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.