



Economics
Public Economics I
[Core Course]

Semester: I	Credits: 4	Subject Code: MEC 12002	Lectures: 48
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Course Outcomes:

At the end of this course, the learner will be able to:

- Discuss and describe the theoretical framework of Public Economics.
- Relate and explain the conceptual framework of public and private goods and the theoretical background provided by economists
- Discuss and evaluate the concepts of equity and efficiency for decision-making in taxation and public expenditure.
- Assess the role for governmental intervention and the changing nature of public choice and the policy outcomes
- Discuss and debate market failure and the case of government intervention in a modern economy.

Unit 1: Introduction to Public Sector

10

- Fiscal Functions: An Overview- The Allocation Function, The Distribution Function, The Stabilization Function, Coordination of Budget Functions.
- Public Sector in the Circular Flow.
- Public Provision for Social Goods: Social Goods and Market Failure, Provision for Social Goods, Mixed Goods, Merit Goods.
- Welfare Economics and Pareto Efficiency.

Unit 2: Rationale for Public Policy

10

- Efficiency: Meaning of Efficiency, Efficient Provision of Private and Social Goods.
- Equity: Equity in Distribution, Endowment based Criteria, Utilitarian Criteria, Egalitarian Criteria, Equity-Efficiency Trade-Off.
- Voluntary Exchange Models- Lindahl, Johansen and Samuelson.
- Impossibility of Decentralized Provision of Public Goods.
- Contributions of Samuelson and Musgrave Demand Revealing Schemes Public Goods.
- The Clarke Tax, The Tiebout Hypothesis, The Theory of Clubs.

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Unit 3: Changing Approaches to Public Choice

12

- The Theory of Externalities- The Coase Theorem, Types of Externalities and Alternative Government Policies (Taxes, Congestion Charges, Regulations)
- Public Intervention, Social Security and Social Insurance- Value and Importance to people, Problems of Social Insurance,
- Strengthening Social Security Contributions through Direct Benefit Transfers, Unemployment Allowances, Food Stamps
- Behavioural Public Economics- Alternative approach to Economic Models to measure impact of public policies and well-being

Unit 4: Public Expenditure

08

- Wagner's Law of Increasing State Activities.
- Wiseman- Peacock Hypothesis, Pure Theory of Public Expenditure.
- Structure and Growth of Public Expenditure.
- Criteria for Public Investment, Social Cost-Benefit Analysis, Project Evaluation, Estimation of Costs, Discount Rate.

Unit 5: Taxation

08

- Theory of Incidence, Alternative Concepts of Incidence.
- Allocative and equity aspects of Individual Taxes.
- Benefit and Ability to Pay Approaches.
- Theory of Optimal Taxation, Excess Burden of Taxes.
- The Problem of Double Taxation.
- Shifting of Tax Burden

Recommended Text Books:

- Tyagi, B P, *Public Finance*, Jai Prakash Nath & Co., 2009,
- Bhatia, H L, *Public Finance*, Vikas Publishing House, 2012
- Cullis, John and Jones, Philip, *Public Finance and Public Choice*, Oxford University Press, 2009
- Stiglitz, Joseph E, *Economics of the Public Sector*, W. W. Norton and Company, 1999
- Musgrave, Richard A and Musgrave, Peggy B, *Public Finance in Theory and Practice*, Tata McGraw Hill, 1989
- Ganguly, Subrata, *Public Finance- A Normative Approach*
- Singh, S K, *Public Finance in Theory and Practice*, Sultan Chand and Co. 1996
- Shah Mita Ashish, *Empowerment of Women Through Gender Budgeting*, Aavishkar Publishers 2015
- Mukherjee Sampat, Ghose Amitava, Nag R. N., *Analytical Public Finance, Ricardo To Musgrave*, Central Book agency Pvt. Ltd, 2008

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Reference Books:

- Buchanan, J.M., *The Demand and Supply of Public Goods*, Rand McNally, Chicago. 1968
- Dorfman, R. (Ed.), *Measuring the Benefits of Government Investment*, Brookings Institution, Washington R Goode- Government Finance in Developing Countries, Tata McGraw Hill, New Delhi, 1986
- Duff, L., *Government and Market*, Orient Longman, New Delhi.1997
- Herber, B.P., *Modern Public Finance*, Richard D. Irwin, Homewood,1967
- Houghton J M., *The Public Finance: Selected Readings*, Penguin, Harmondsworth,1970
- Mueller, D.C., *Public Choice*, Cambridge University Press, Cambridge 1979
- Cornes R and Sandler T, *The Theory of Externalities, Public Goods and Club Goods*, Cambridge University Press, 1986
- Spulber, N. *Redefining the State*, Cambridge University Press, Cambridge 1998
- SijbrenCnossen, Clemens Fuest, (2003) *Public Finance and Public Policy in the New Century*, The CESifo Seminar Series, 2
- Rose Harvey S, Gayer Ted, *Public Finance*, Tata McGraw Hill, 2012

Readings:

- Atkinson, A., Piketty, T. and Saez, E. (2011) "Top Incomes in the Long Run of History", *Journal of Economic Literature*, 49(1), pp. 3–71
- Besley, T. and Coate, S. (1992) "Workfare versus Welfare: Incentives Arguments for Work Requirements in Poverty-Alleviation Programs", *American Economic Review*, Vol. 82, pp. 249–261
- Bernheim, B.D. and Rangel, A. 2006a. Behavioral public economics: welfare and policy analysis with fallible decision-makers. In *Economic Institutions and Behavioral Economics*, ed. P. Diamond and H. Vartiainen. Princeton: Princeton University Press
- Piketty, T. (1995) "Social Mobility and Redistributive Politics", *Quarterly Journal of Economics*, 110(3), pp. 551–584
- Sen, A. (2006) "Development as Freedom: an Indian Perspective", *Indian Journal of Industrial Relations*, 42(2), pp. 157–169

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Economics
Public Economics II
[Core Course]

Semester: II	Credits: 4	Subject Code: MEC22002	Lectures: 48
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Course Outcomes:

At the end of this course, the learner will be able to:

- Relate and describe the developments in the theoretical framework of Public Economics.
- Relate and explain the objectives of fiscal policy with special reference to developing economies
- Discuss and evaluate the concepts of governmental budgeting and budgetary deficits.
- Assess the role for governmental intervention and the changing nature of public choice and the policy outcomes
- Discuss and debate market failure and the case of government intervention in a modern economy

Unit 1: Public Debt	10
<ul style="list-style-type: none">• Classical, Keynesian and Post-Keynesian Approaches of Public Debt, Classification of Public Debt.• Problems and Issues of Public Debt- The Burden of Public Debt, The Inflationary Potential, Interest Payments, Sustainability of Public Debt.• Public Debt Management, Redemption of Public Debt.• Public Debt in India.	
Unit 2: Fiscal Policy	10
<ul style="list-style-type: none">• Objectives of Fiscal Policies, Role of Fiscal Instruments in Developed and Underdeveloped Economies.• Built-in and Discretionary Stabilizers.• Fiscal Imbalance in India- Indicators, Causes, Effects and Remedial Measures.• Fiscal Management in India- Objectives, Fiscal Consolidation and Inclusive Growth	
Unit 3: Fiscal Federalism in India	10
<ul style="list-style-type: none">• Fiscal Federalism in India, Vertical and Horizontal Imbalance.• Assignment of Function and Sources of Revenue, Devolution of Resources and Grants.• Theory of Grants, Resource transfer from Union to States- Criteria for Transfer of Resources.	

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- Centre-State Financial Relations in India, Transfer of Resources from Union and States to Local Bodies.
- Problems of States' Resources and Indebtedness

Unit 4: Expenditure and Government Budgeting

10

- Composition of the Government Expenditure, Growth of Public Expenditure in India Post Independence, Public Expenditure Management.
- Reforms in Expenditure Budgeting in India since 1991
- Budget- Meaning and Components, Preparation, Presentation and Execution of Budget, Economic Classification of Budget.
- Budget Deficits and their Implications, Balanced and Unbalanced Budget, Balanced Budget Multiplier.
- Gender Budgeting in India since 1991: Objectives and Policy Measures
- Green Budgeting/Accounting in India: Objectives and Policy Measures

Unit 5: Market Failure and Government Intervention

08

- Government Budget and Expenditure in Education and Health in India
- Failure of the State and the Markets: Double Failure and Need for Redistribution
- Education- Measuring Returns in Education, Need for continued Government Intervention in Education
- Health- Need for Government Intervention, Ayushman Bharat Yojana- Objectives & Features

Recommended Text Books:

- Bhalla A. S. (2001) '*Market or Government Failures? - An Asian Perspective*' Palgrave Macmillan
- Bhatia, H L, *Public Finance*, Vikas Publishing House, 2018
- Funnel Warwick, Robert Jupe, Jane Andrew (2009) '*In Government we Trust: Market Failure and Delusions of Privatisation*' Pluto Press
- Gopalan Swapna (2008) *Gender Budgeting: Concepts and Experiences*, ICFAI University Press
- Gopalan Swapna (2008) *Gender Budgeting in India: Towards achieving Gender Equity*, ICFAI University Press
- Labonte Marc (2010) '*The Size and Role of Government: Economic Issues*' Congressional Research Service
- Mazzucato Marianna (2018) '*The Entrepreneurial State: Debunking the Public v/s Private Myths*' Penguin
- Singh, S K, *Public Finance in Theory and Practice*, Sultan Chand and Co, 2018
- Tyagi, B P, *Public Finance*, Jai Prakash Nath and Co. 2014
- Thomas Janet M, Callan Scott J., *Environmental Economics*, Cengage Learning 2009

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- Sharma Manoj Kumar, *Fiscal Federalism, An Indian Constitution*, Satyam Law International 2017

Reference Books:

- Kumar Abhay, Karthikeyan Surjith, *Environmental Policies in India*, Gyan Publishers, 2015
- Rajesh K.Jha, *Public Finance*. Pearson Publication New Delhi, 2012
- Rangarajan C, D. K. Srivastava (2011) *Federalism and Fiscal Transfers in India* OUP, India
- Y. V. Reddy, G. R. Reddy (2019) 'Indian Fiscal Federalism' OUP
- Shome, P. (Ed.) *Tax Policy : Handbook, Tax Division, Fiscal Affairs Department*, International Monetary Fund, Washington D.C.,1995

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