

M.A. 1<sup>st</sup> Semester  
Paper-104 (Compulsory)

Time : 3 Hrs.  
Max. Marks : 100  
External : 80  
Internal : 20

### **PUBLIC ECONOMICS –I**

- Note:** (i) Nine Question will be set in all and students will be required to attempt 5 questions.
- (ii) Question No. 1 will be compulsory and will consist of 8 short answer type questions of 2 marks spread over the entire syllabus (2\*8=16 marks).
- (iii) For the remaining four questions, students will attempt 1 out of 2 questions from each of the four units (16 marks each).

#### **PREAMBLE**

Role and functions of the Government in an economy have been changing with the passage of time. The term 'Public Finance' has traditionally been applied to the package of those policies and operations which involve the use of tax and expenditure measures while budgetary policy is an important part to understand the basic problems of use of resources, distribution of income, etc.

#### **Unit - I**

Economic Rationale of Mixed Economy; The Efficient Markets; Natural Monopolies and Market Failure; Non-Existence of Futures Markets and Market Failure; Asymmetric Information and market Failure; The Problem of Externalities and their Internalisation; The Coase Theorem; Rent Seeking Costs and Political process.

#### **Unit - II**

Concept, Characteristics, Types and Efficient Provision of Public Goods; Private provision of Pure Public Goods; Bowen Model, Samuelson Model; Wagner Hypothesis, Thompson Mechanism, Clarke Mechanism, Lindahl- Wicksell Mechanism; Theory of Club Goods.

#### **Unit - III**

Efficiency and Equity Principles of Taxation; Incentive Effects of Taxation on Labour Supply; Supply of Savings and Risk Taking; Taxation and Investment; Other Distorting Effects of the Tax System; Tax Incidence – Partial and General equilibrium Analysis; Mieszkowski Analysis of Tax Incidence; Keynesian Short Run Model of Tax Incidence; Dynamic Tax Incidence.

#### **Unit - IV**

Normative Analysis of Taxation – Income v/s Excise Tax; Optimal Commodity Tax- The Ramsey Rule, The Corlett and Hague Rule; Optimal Income Tax; Excess Burden of Tax and its Measurement; Normative Principles for Redistribution; Corporation tax and its Effects on Corporate Decisions; Tax Evasion and the Black Economy

#### **Base Text Book**

**Boadway, Robin, “Public Sector Economics”, Cambridge, Winthrop Publishers**

#### **Basic Reading List**

- Bruce, Neil, “Public Finance”, Addison- Wesley Educational Publishers, Inc.
- Jones. Philip and Cullis, Jones, “Public Finance and Public Choice- Analytical Perspectives”, Oxford University press
- Stiglitz, Joseph, “Economics of the Public Sector”, W.W.Norton and Company, new York/London
- Rosen, H.S., “Public finance”, Tata McGraw Hill
- McNutt, P.A., “The economics of Public Choice”, Edward Elgar Publishing Inc.
- Mueller, D.C., “Public Choice- I,II,III” Cambridge university Press, Cambridge
- Downs, A., “An Economic Theory of Democracy”, Harper and Row, New York
- Musgrave R.A and Peacock A.T., “ Classics in the Theory of Public Finance”, Mcmillan