

M.A. 1st Semester
Paper-204 (Compulsory)

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

PUBLIC ECONOMICS –II

- 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

Public Choice – Rational Voter Hypothesis; Characteristics of Majority Voting Rule; Buchanan and Tullock Model, Bowen-Black Model; Arrow's Impossibility Theorem; Downs Model on Demand and Supply of Government Policy; Models of Bureaucratic Behaviour- Niskanen, Tullock, Breton- Brennan- Buchanan, Dunleavy's Bureau Shaping Model; Voting and the Leviathan Hypothesis

Unit – II

International Issues in Public Economics- Global Public Goods; Taxation of International Trade; Trade Taxes and Public Choice; Harmonization of Indirect Taxes; Public Enterprises –Pricing Policy of Public Enterprises; Theory of Second Best; Capacity Constraints and Peak Load Problem; Social Cost Benefit Analysis- Measuring Economic Benefits and Costs, Determining Shadow Prices, Decision Criteria, Problem of Risk and Uncertainty.

Unit – III

Public Debt – Objectives and Sources of Public Debt; Classification and Effects of Public Debt; Burden Controversy of Public Debt – Classical Theory, Modern Theory, Buchanan Thesis, Secondary Burden of Public Debt; Public Debt and Inflation; Public Debt Management and Redemption of Public Debt.

Unit – IV

Fiscal Federalism – The Decentralisation theorem; Optimum Size of Local Community; Assignment of Functions Among Levels of Government; Tiebout Model; Theory of Intergovernmental Grants; A Public Choice Critique of Intergovernmental Grants; Redistributive Impact of the Budget

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