

Course No. ECONA310
Course title: Public Finance
Nature of Course: SEC – 6
Number of credits: 4
Number of Lectures (L): Practical (P): Tutorial (T): 44:0:16

Course Description

This course is a non-technical overview of government finances with special reference to India. The course does not require any prior knowledge of economics. It will look into the efficiency and equity aspects of taxation of the centre, states and the local governments and the issues of fiscal federalism and decentralization in India. The course will be useful for students aiming towards careers in the government sector, policy analysis and business.

Course Outline

Unit	Title	Credits	
		L	T
I.	Public Finance: An Introduction Meaning and definition of public finance – Public finance and private finance – the principle of Maximum Social advantage. Market Failure; Private Goods, Public Goods and Merit Goods. Overview of Different Role of Government: Allocation, Stabilization and Distribution.	10	4
II.	Taxation Revenue-Meaning, source, tax and non-tax revenue and importance – Canons of Taxation. Types of tax: Direct and indirect taxes, Progressive, proportional and regressive taxation, single and multiple taxation. Current Issues of India's Tax System. Effects of taxation. Taxable Capacity: Determinants of taxable capacity. Shifting and incidence of taxes. Distinction between impact and incidence of taxation. Factors affecting incidence of tax. Tax evasion.	12	4
III.	Public Expenditure and Public Debt Public Expenditure: classification of public expenditure. Causes and growth of public expenditure. Effects of public expenditure on production, employment and distribution. Growth of public expenditure. Public Debt: Meaning and classification. Need for public borrowing – Effects of public debt on production, consumption and distribution. Burden of public debt. Redemption of public debt. Growth of public debt.	11	4
IV.	Public Finance in India Indian Fiscal Policy, Budget: Concepts, instruments and objectives Types of Government Budgets: Revenue Account, Capital Account and Different Concepts of Budgetary Deficits in the Indian Context. Economic and Functional Classification of Central Govt. Budgets. Fiscal Federalism in India; Center State Financial Relations and Evaluation of Previous and Features of Latest Finance Commission. State and Local Finances.	11	4
Suggested Readings: 1. Harvey Rosen, (2008) Public Finance, McGraw Hill, New York. 2. Bernard P. Harbar, Modern Public Finance (Richard Irvin Inc) 3. Musgrave and Musgrave (1984), Public Finance in Theory and Practice, McGraw Hill, New Delhi (reprint edition) 4. Joseph Stiglitz, Economics of Public sector, Norton, New York (recent edition).			