DEPARTMENT OF ECONOMICS
UNIVERSITY OF DELHI

Subject: Common Pool General Elective (GE) - Economics

Sem.:   V

Course & Code: ECON061 (GE-7): Theory of Public Finance

Duration (per week):   3 lectures + 1 tutorial

Date & Time   13/05/2024 at 3.30 PM

Venue: 106, Department of Economics, Delhi University

Convenor: Mausumi Das and Satyendra Gupta

College Teachers attended: (Soni ji, Please append)

Name	College
Bijoyata Yonzon	Janki Devi Memorial College
DEEPA VERMA	Sri Guru Gobind Singh College of Commerce
Gargee Sarkar	Indraprastha College for women
Sanjeev Kumar	Hansraj
Saumya Shukla	Maharaja Agrasen College

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.

Recommended readings

- R.A. Musgrave and P.B. Musgrave, Public Finance in Theory and Practice, 5th Edition.
- Stiglitz, J E & Rosengard J K (2015), Economics of the Public Sector, 4th ed, W.W. Norton.
- Case and Fair, Principles of Economics, 10th Edition, Chapter 24 (pp. 478-486, 492-494), Chapter 25 (pp. 501-502, 505-510,515-519)
- Relevant Economic Surveys - for topics related to the Indian context.

Syllabus and Topic-wise Reading List

UNIT I: Theories of Public Sector and Market Mechanism (12 lectures)
Overview of Fiscal Functions, Tools of Normative Analysis, Pareto Efficiency, General Equilibrium Framework and the Social Welfare

- R.A. Musgrave and P.B. Musgrave, Public Finance in Theory and Practice, 5[th]Edition, Chapter 1
- Stiglitz, J E & Rosengard J K (2015), Economics of the Public Sector, 4th ed, W.W. Norton, Chapter 3 (Market Efficiency).

UNIT II: Market Failure (12 lectures)
Sources of Market Failure; Public Goods; and Externalities.

- Stiglitz, J E & Rosengard J K (2015), Economics of the Public Sector, 4th ed, W.W. Norton, Chapter 4 (Market Failure), Chapter 5 (Public Goods and Publicly Provided Private Goods) and Chapter 6 (Externalities and the Environment).

UNIT III: Theories of Taxation (12 lectures)
Product and Factor Tax; Tax Burden; Tax Distortions; and Tax Design

- R.A. Musgrave and P.B. Musgrave, Public Finance in Theory and Practice, 5th Edition, Chapter 12, Chapter 13, Chapter 14 (Only parts A, B and C), Chapter 15 (only parts A and B) and Chapter 16 (only parts A and B).

UNIT IV: Working of Fiscal and Monetary Policies (9 lectures)
Fiscal Policy; Banking System and Creation of Money; Monetary Instruments and Policies; Fiscal and Monetary Management In Indian Context

- Case and Fair, Principles of Economics, 10th Edition, Chapter 24 (pp. 478-486, 492-494), Chapter 25 (pp. 501-502, 505-510,515-519)
- Economic Survey 2020-21, Ch 4. Monetary Management and Financial Intermediation (Pg. 123-137), Vol 2.

Assessment:
1. **Internal Assessment (IA)**: 30 marks
   - i) one class test (12 marks)
   - ii) one assignment (12 marks)
   - iii) class attendance (6 marks)

2. **Continuous Assessment (CA):** 40 marks
   - i) attendance (6 marks)
   - ii) Projects, presentations, literature review, group discussions (35 marks)

3. **End-semester (Final) Exam**: 90 marks
   - i) 5 questions out of 7 have to be answered. All questions will carry equal marks.
   - ii) There should be at least one question from every unit.

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