

Semester	IV
Paper Number	MECO4401
Paper Title	Public Economics and Policy
No. of Credits	6
Theory/Composite	Theory
No. of periods assigned	6
Course description/objective	This paper will expose students to major areas of public economics which include nature of public, club and merit goods, the economics of public expenditure, of taxation to pay for that expenditure, and of policy and programs broadly-defined.
Syllabus	<p>Module 1(40 marks)</p> <p>1. Equilibrium and Efficiency The exchange economy; The production and exchange; The efficiency of competition</p> <p>2. Public good Definition; Private provision; Efficient provision; Publicly provided private good; Voting; Mechanism design</p> <p>3. Club good Definition; Single product clubs – Fixed utilization, Variable utilization, Two-part tariff</p> <p>4. Externalities and Merit goods Market inefficiency; Externality examples – River pollution, The tragedy of commons; Pigouvian taxation; Internalization; Coase theorem</p> <p>Module 2(40 marks)</p> <p>5. Tax incidence: Canons of taxation, Simple competitive equilibrium model Static Two-sector model; Incidence of corporation tax; General tax incidence</p> <p>6. Effects of tax on labour supply, Savings and Risk taking – comparison between Income tax and Expenditure tax</p> <p>7. Public debt – Barro-Ricardo equivalence theorem; Debt and growth in Solow model</p> <p>8. Fiscal policy and the macroeconomy; Macroeconomics of budget deficit – Sustainability, Solvency and Optimality.</p>
Readings	<p>1. Anthony B. Atkinson and Joseph E. Stiglitz, Lectures on Public Economics, Princeton University Press.</p> <p>2. Blinder, A. S., & Solow, R. M. (1972). Does fiscal policy matter? (Vol. 144). Econometric Research Program, Princeton University.</p> <p>3. Jean Hindriks and Gareth D. Myles, Intermediate Public Economics, MIT Press.</p> <p>4. John Cullis, Philip Jones and Philip R. Jones, Public Finance and Public Choice: Analytical Perspectives, OUP.</p> <p>5. Rakshit, M. (2005). Budget Deficit: Sustainability, Solvency and Optimality. Readings in Public Finance, Oxford University Press, New Delhi, 143-164.</p> <p>6. Errol D'Souza: Macroeconomics, Pearson Education India</p>
Evaluation	<p>Continuous Internal Assessment: 20 marks</p> <p>End- Semester Theory Examination: 80 marks</p>

Paper Structure for End Sem Theory	Module	No. of Questions to be Answered	No. of Alternatives	Marks	
	Module 1	2	3	5 x 2 = 10	
		2	3	15 x 2 = 30	
	Module 2	2	3	5 x 2 = 10	
		2	3	15 x 2 = 30	
	Total Marks				80