

Course no.:	MPE 148
Course title:	Public economics
Number of credits:	3
Number of lectures-tutorial-practicals:	42
Faculty Name:	Dr Pulin Nayak

Course outline

This course is intended to present a fairly up to date treatment of modern Public Economics. The emphasis will be on issues of resource allocation and their implications for efficiency and equity. The traditional topics of public goods, externalities and taxation will be treated with some care. There will be a detailed treatment of the optimal pricing and investment decisions of the public sector. The course will also have a brief coverage of the economics of regulation and the issue of fiscal federalism.

Evaluation procedure

- Minor tests (2 numbers) 40% (20% each)
- Major exam 60%

Details of course content and allotted time

Sr. no	Topic	Allotted time (hours)		
		Lectures	Tutorials	Practicals
I	Elements of Normative Economics. Concepts of Efficiency and Equity	4		
II	The Theory of Public Goods. Efficient Resource Allocation with Public Goods. Externalities and Market Failure. The perspectives of Pigou and Coase in dealing with the problem.	10		
III	Taxation. Excess Burden and Efficiency Effects. Equity Rules and the Good Tax System. Incidence of Taxation. Optimum Income and Commodity Taxation	10		
IV	Economics of the Public Sector. Efficient Pricing and Investment Rules under first best conditions. Peak load pricing. The theory of the second best.	8		
V	Fiscal Federalism. Allocation and Distribution Aspects	4		
VI	Economics of Regulation. The Issue of Efficiency and the Averch Johnson Result.	6		
	Total	42		

The course is reviewed and commented by the following experts.

1. Professor Arun Kumar, Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University, New Delhi.
2. Professor Tapas Sen, National Institute of Public Finance and Policy, New Delhi.

Suggested readings

1. Richard Musgrave and Peggy Musgrave: Public Finance in Theory and Practice, McGraw-Hill, Third Edition.
2. A.B. Atkinson and J.E. Stiglitz: Lectures on Public Economics, McGraw-Hill.
3. Bagchi, Amaresh (ed): Readings in Public Finance, Oxford University Press.
4. Myles, Gareth: Public Economics, Cambridge University Press.
5. Jean Hindriks and Gareth Myles: Intermediate Public Economics, Prentice-Hall.
6. R.C. Cornes and T. Sandler: The Theory of Externalities, Public Goods and Club Goods, Cambridge University Press.

Further, a number of journal articles will be referred to.