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| **Course title: Economics for Public Policy** | | | |
| **Course code:** PPS 118 | **No. of credits:** 2 | **L-T-P:** 26-04-00 | **Learning hours:** 30 |
| **Pre-requisite course code and title (if any):** None | | | |
| **Department:** Department of Policy & Management Studies | | | |
| **Course coordinator(s):** Dr. Gopal K. Sarangi | **Course instructor(s):** Dr. Santosh K. Das | | |
| **Contact details:** gopal.sarangi@terisas.ac.in | | | |
| **Course type**: Core | **Course offered in:** 1st Semester | | |

**Course description**

This introductory course primarily covers the impacts and implications of government policy by emphasizing the core and fundamental concepts, theories, principles, tools, and instruments of economics. The emphasis is laid on building students' critical thinking and analytical abilities in applying economic concepts to a range of public policy problems in evaluating and analyzing them. The central focus of this course is when governments intervene, what would be the form of intervention and what are the impacts of such interventions. It emphasizes how and why markets (one important mechanism for allocating scarce resources) operate, and under what conditions markets fail. What are the mechanisms to correct the market failure?

**Learning objectives:**

- To develop students' critical thinking around a range of public issues by using tools and techniques of economics
- To make students understand how and why markets work, when they fail, and mechanisms to correct such failures
- To build students' skill sets for analyzing, and interpreting public policy issues by using various economics tools and techniques

**Course content**

| Module | Topic | L | T | P |
|---|---|---|---|---|
| **1.** | **Fundamentals**<br>• Basic concepts and philosophy of Economics<br>• Assumptions of perfectly competition markets and rationale actors<br>• Inefficiency and imperfect markets<br>• Welfare economics and policy applications | 8 | 0 | 0 |
| **2.** | **Market Failure: Definition, Causes and Typologies**<br>• Why do markets fail? Causes of market failure; Externalities and public goods; Natural Monopolies; Free-rider problem; Common property problems; Information asymmetry<br>• Behavioral economics in the context of market failure<br>• Case studies in market failure in the infrastructure sector | 6 | 2 | 0 |
| **3.** | **Mechanisms to correct the Market Failure**<br>• Introduction to various intervention tools such as command and control approach (CAC) versus Market-based Instruments (MBI's) such as taxes and cap and trade mechanisms<br>• Role of regulation in market failure<br>• Theories of economic regulation and its applications in the infrastructure sector<br>• Theories of public expenditure | 6 | 0 | 0 |
| **4.** | **Tools for Economic Analysis of Public Policy**<br>• Introduction to cost-benefit analysis<br>• Present value analysis, choosing the discount rate<br>• Policy analysis involving risks and uncertainty<br>• Economic impact analysis tools<br>• Project management tools in public policy analysis<br>• Case study: Tools for catalyzing fossil fuel transitions | 6 | 2 | 0 |
| | **Total** | **26** | **4** | **0** |

**Evaluation criteria:**

Course grades will be based on the following criteria:

- **Minor Test-1:** Short-Answer Type Questions/Quizzes/MCQs (20%)
- **Minor Test-2:** Group assignment in the form of group presentations of important public policy case studies (30%)
- **Major Test:** Written Test (50%)

**Learning outcomes**

Upon completion of this course, candidates would be able to:

1. understand the key concepts, theories, models, principles, tools, and techniques of economics to apply in the public policy context (Major Test)
2. understand and appraise the role of the market, market failure, and mechanisms for correcting the market failure (Minor Test-2 and Major Test)
3. develop the skills to interpret, and analyze the economic concepts and tools for resolving public problems (Minor Test-1 and 2)

**Pedagogical approach**

The course will be delivered through a mix of classroom lectures, quizzes, discussions, classroom exercises and assignments, and case studies discussion and presentation.

**Suggested Readings**

**Core Readings:**


- Case, K. E., Fair, R. C., & Oster, S. M. (2017). *Principles of Economics, 12th Edition*. Boston, MA: Pearson Education Inc.
- Mankiw, N. G. (2022). *Principles of Economics, 8th Edition*. Cincinnati, OH: South-Western College Publishing.
- Gruber, J. (2022). *Public Finance and Public Policy, 7th Edition*. New York: Worth Publishers.
- Musgrave, R. A., & Musgrave, P. B. (2017). *Public Finance in Theory and Practice, 5th Edition*. New York: McGraw Hill Education.
- Mishan, E. J. (2020). *Cost Benefit Analysis, 6th Edition*. London & New York: Routledge.
- Shepsle, K. A. (2010). *Analyzing Politics: Rationality, Behavior, and Institutions, 2nd Edition*. London: W.W. Norton & Company.
- Kolstad, C. D. (2010). *Environmental Economics, 2nd Edition*. New York: Oxford University Press.
- Hoekman, B. M., & Kostecki, M. M. (2009). *The Political Economy of the World Trading System: The WTO and Beyond, 3rd Edition*. New York: Oxford University Press Inc.


**Additional Readings:**


- Dasgupta, P. (2007). *Economics: A Very Short Introduction*. New York: Oxford University Press Inc.
- Friedman, M. & Friedman, R. D. (1990). *Free to Choose: A Personal Statement*. San Diego: Harcourt Brace Jovanovich.
- Landsburg, S. E. (2012). *The Armchair Economist: Economics & Everyday Life*. New York: Pocket Books.
- Banerjee, A., & Somanathan, R. (2007). The Political Economy of Public Goods: Some Evidence from India. *Journal of Development Economics*, 82(2): 287-314.
- Dhaliwal, I, & Hanna, R. (2017). The Devil is in the Details: The successes and limitations of bureaucratic reform in India. *Journal of Development Economics*, 124: 1-21.
- Mayda, A. M., & Rodrik, D. (2005). Why are Some People (and Countries) More Protectionist than Others? *European Economic Review*, 49(6):1393-1430.
- Lucas, R. E. B. (2008). *International Labor Migration in a Globalizing Economy*, Carnegie Papers. Washington, DC: Carnegie Endowment for International Peace. https://carnegie-production-assets.s3.amazonaws.com/static/files/international_migration_globalizing_economy.pdf.
- Summers, L. H. (2000). International Financial Crises: Causes, Prevention, and Cures. *The American Economic Review*, 90(2):1-16.
- Eichengreen, B. (2008). The Global Credit Crisis as History. University of California Berkeley Policy Paper. https://eml.berkeley.edu/~eichengr/global_credit_crisis_history_12-3-08.pdf.

**Student responsibilities**

- At least 75% attendance will be necessary to be able to appear for the final exam.
- Active classroom participation; Critical reflections and timely submission according to the evaluation criterion.

**Course prepared by:** Dr. Gopal K. Sarangi

**Course reviewers**

1. Prof. Badri Narayan Rath, Professor of Economics, Department of Liberal Arts, Indian Institute of Technology Hyderabad, Hyderabad, Telangana, India
2. Dr. Subir Sen, Associate Professor, Department of Humanities & Social Sciences, Indian Institute of Technology Roorkee (IITR), Roorkee, Uttarakhand, India.