

Department	Economics	Class	II – M.A.		Semester	III
Course Title	Fiscal Economics	Hours	Credit	CIA	External	Total
Course Code	18P3VMC12	75	4	25	75	100

Objectives

1. To introduce students to the public sector reform agenda with a focus on public finance
2. To introduce tax policy principles, tax reform and law, elements of fiscal system and policy

Learning Outcome

Develops the skill to understand the tax system and expenditure pattern and to know the budget in the economy.

Unit I Introduction

(15 hours)

Definitions of Public Finance –Major Fiscal Functions- Allocation function-Distribution function-Stabilization function-Public Goods And Externalities-Non-rivalry-Non-excludability Market Failure And Externalities- Positive externality in consumption and production-Negative Externality in consumption and production- Coase Theorem.

Unit II Public Expenditure

(15 hours)

Theories Of Public Expenditure – Wagner’s Law of Public Expenditure – Peacock Wisemen’s Hypothesis – Colin Clark (Critical Limit) Hypothesis – Principle of Maximum Social Advantage – Limitations – Effect of Public Expenditure: Effects on Distribution-Effects on employment-Effects on Economic Stability and Effects on Economic Development.

Unit III Public Revenue

(15 hours)

Public Revenue – Sources of Public Revenue - Classification of Public Revenue - Adam Smith’s Classification - Seligman’s Classification - Prof. J.K. Metha’s Classification-Canons of Taxation-Goods and Services Tax (GST)-features-Impact of GST.

Unit IV Theories and Principles of Taxation

(15 hours)

Theories Of Taxation – The Cost Theory – The Benefit Theory – The Ability To Pay Theory – Direct taxes-merits and demerits-Indirect taxes-merits and demerits-Types of taxes – Proportional Tax – Progressive Tax – Regressive Tax –Degressive tax- Incidence And Shifting of Taxation – Theories of Tax Shifting – The Concentration Theory – Diffusion Theory – Modern Theory Of Incidence.

Unit V Budget and Fiscal Federalism

(15 hours)

Budget Meaning - Objectives – Budgetary Procedure - Zero Base Budgeting – Performance Budgeting – Fiscal Policy – Instruments of Fiscal Policy – Objectives - Role of fiscal policy - Limitations of fiscal policy-Fiscal federation–Essential Features of Federal System – Principles – Conflict Between Center And States - Local Bodies – Problems of Local Finance-Finance commission – Role.

Text Book

1. M. Maria John Kennedy (2012) “Public Finance” PHI Learning Pvt. Ltd., New Delhi.

References

1. Musgrave R.A. & Musgrave P.B.(1976), “Public Finance in Theory and Practice”,McGraw Hill, Kogakusha, Tokyo.
2. Hajela T.N. (2015), “Public Finance”, Ane Books Private Ltd., New Delhi.
3. Sankaran S. (1999), “Fiscal Economics”, Margham Publications, Chennai.

Websites / e-books

1. Richard Musgrave, <https://www.google.co.in/searchpublicfinancein theory and practice, www.ebooklobby.com>
2. <http://ebooks.kluweronline.com>
3. <https://elsevier.com>books>