



**PARVATHANENI BRAHMAYYA  
SIDDHARTHA COLLEGE OF ARTS & SCIENCE**

*Autonomous*

Siddhartha Nagar, Vijayawada-520010

*Re-accredited at 'A+' by the NAAC*

<b>Course Code</b>				<b>23ECMAL234</b>			
<b>Title of the Course</b>				<b>Public Economics</b>			
<b>Offered to:</b>				<b>B.A Honours (Economics)</b>			
<b>L</b>	<b>5</b>	<b>T</b>	<b>0</b>	<b>P</b>	<b>0</b>	<b>C</b>	<b>4</b>
<b>Year of Introduction:</b>		<b>2024-25</b>		<b>Semester:</b>			<b>3</b>
<b>Course Category:</b>		<b>MAJOR</b>		<b>Course Relates to:</b>		<b>GLOBAL</b>	
<b>Year of Revision:</b>		<b>NA</b>		<b>Percentage:</b>		<b>NA</b>	
<b>Type of the Course: Major</b>				<b>EMPLOYABILITY</b>			
<b>Cross cutting Issues of the Course:</b>				<b>ENVIRONMENT AND SUSTAINABILITY</b>			
<b>Pre-requisites, if any</b>				<b>23ECMAL111 &amp; 112</b>			

**Course Description:** This course introduces the fundamentals of public finance, emphasizing its meaning, scope, and importance in comparison to private finance, alongside the principle of maximum social advantage. It covers the classification of goods (private, public, merit, and club) and addresses issues of market failure, externalities, and free riding, along with potential solutions. Public revenue is explored through taxation and non-taxation sources, including theories and systems of taxation, such as progressive and regressive taxes, and their incidence and effects, with a focus on India. Public expenditure is examined through various theories, classifications, and determinants, with an analysis of public spending trends and reforms in India. The course also delves into public debt, its types, effects, and management, alongside budgetary concepts like deficits and fiscal discipline, referencing the FRBM Act and recent budgetary analyses. Lastly, it discusses fiscal policy, the principles of fiscal federalism, vertical and horizontal imbalances, and challenges related to state finances, highlighting recent Finance Commission recommendations.

**Course Outcomes: After completion of the course student will be able to...**

<b>CO-NO</b>	<b>COURSE OUTCOME</b>	<b>BTL</b>	<b>PO</b>	<b>PSO</b>
CO1	explain and illustrate the basic concepts and principle of public finance	K2	2	1
CO2	discuss various sources of public revenue, different theories of taxation, tax systems and incidence of taxation	K2	2	1
CO3	analyses various principles, theories, practices of public expenditure with reference to public expenditure practices in India	K3	2	1
CO4	explain the concept of debt burden and its effect, budget concepts and deficits with reference to Indian economy.	K2	2	1
CO5	examine the importance of fiscal policy, fiscal federalism and discuss the role of finance commission with reference to India	K2	2	1

CO-PO-PSO MATRIX										
23ECMAL234	CO-PO	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PSO1	PSO2
	CO1		2						2	
	CO2		2						2	
	CO3		3						3	
	CO4		2						2	
	CO5		3						3	

## Course Content

### Unit1: Introduction to Public Finance and Market Failure

- Meaning, Nature, Scope, Importance of Public Finance; Public vs Private Finance
- Principle of Maximum Social Advantage
- Types of Goods: Private, Public, Merit, Club Goods
- Problems of Market Failure, Externalities and Free Riding and Solutions.

### Unit2: Public Revenue

- Sources of Revenue: Tax and Non-tax; Cannons of Taxation
- Theories of Taxation: Socio-Political Theory, Benefit Received Theory, Ability to Pay Theory
- Tax Systems: Progressive, Proportional, Regressive; Types of Taxes: Direct and Indirect
- Incidence and Effects of Taxation; Shares of Tax and Non-Tax Revenues in India.

### Unit3: Public Expenditure

- Principles of Public Expenditure(PE); Classification and Effects of PE
- Theories of PE: Wagner's Law, Peacock-Wiseman, Colin-Clark's Critical Limit Theory
- Determinants of PE; Criteria for Public Investment
- Trends and patterns of Public Expenditure in India; Reforms in public Expenditure in India

### Unit4: Public Debt and Budget

- Public debt (PD): Meaning, Types, Sources; Effects and Burden of PD; limitations of public debt
- Theories of PD: Classical Theory, Barro-Ricardo Equivalence, Keynesian Approach
- Shifting and Redemption of PD; Public Debt Management in India
- Budget; Meaning, Importance, Types; Basic Concepts and Deficit in Budget; important of deficit financing
- Fiscal Discipline and Consolidation, FRBM Act; Brief Analysis of present Budget in India

## **Unit5: Fiscal Policy and Fiscal Federalism**

- Fiscal Policy: Meaning, Objectives and Functions
- Principles of Multi-Unit Finance; Concept of Vertical and Horizontal Fiscal Imbalances
- Fiscal Federalism in India and Constitutional Provisions
- Recent Finance Commission: Objectives and Recommendations
- Issues and Challenges of Fiscal Federalism and State Governments Finances in India.

### **Textbook**

1. Open-Source Online Materials & Videos: IGNOU, e-PG PathaSala, Economic Survey, SWAYM, Khan Academy etc.
2. Bhatia H.L., "Public Finance", Vikas Publishing House Pvt.Ltd., 1984.

### **Reference Books:**

1. Musgrave, R. A. & Musgrave, P. B. (2004), *Public Finance in Theory and Practice*. Fifth edition, TATA McGraw-Hill
2. Tyagi, B.P., "Public Finance", Jai Prakash Nath Co., 1992.
3. Dalton, H., "Principles of Public Finance", Routledge, 1st Edition, 2009.
4. Stiglitz, J.E. (2000), *Economics of the Public Sector*. W.W. Norton
5. Rangarajan, C. and D.K. Srivastava (2011), *Federalism and Fiscal Transfers in India*. Oxford University Press, New Delhi.

### **Activities Suggested:**

Unit 1: Assignment on importance of public finance and role of government in an economy

Unit 2: Make poster presentation of Indian tax system with revenue details from recent budget.

Unit 3: Organize debates on the growth of public expenditure in India and its management.

Unit 4: Assignments on the management of deficits and public debt and watch budget presentation and make analysis.

Unit 5: Quiz sessions on the recommendations of finance commission with justification for changes in criteria/ quantum of devolution.



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**MODEL QUESTION PAPER**

**Offered to B.A. Honours (Economics)**

**23ECMAL234: PUBLIC ECONOMICS**

**Time:3Hours**

**SEMESTER III**

**MaxMarks:70**

**Section-A**

Answer the following Questions

5

x4=20Marks

1. (a) Explain Public vs Private Finance K2-CO1  
(or)  
(b) Explain Types of Goods. K2-CO1
2. (a) Explain Cannons of Taxation. K2-CO2  
(or)  
(b) Explain Ability to Pay Theory. K2-CO2
3. (a) Define Wagner's Law. K1-CO3  
(or)  
(b) Define Determinants of Public expenditure. K1-CO3
4. (a) Explain FRBM Act. K2-CO4  
(or)  
(b) Explain Budget: Meaning & its types. K2-CO4
5. (a) Explain Fiscal Federalism. K2-CO5  
(or)  
(b) Explain Fiscal Policy Objectives. K2-CO5

**Section-B**

**Answer the following questions**

**5x10=50Marks**

6. (a) Explain Principal of Maximum Social Advantage. K2-CO1  
(Or)  
(b) Explain the Nature and Scope of Public Finance. K2-CO1
7. (a) Explain the various Sources of Revenue. K2-CO2  
(Or)  
(b) What are the Effects of Taxation? K2-CO2
8. (a) Explain the Peacock-Wiseman theory of public expenditure. K2-CO3  
(Or)  
(b) Discuss the Principles of Public Expenditure (PE). K2-CO3
9. (a) Explain the sources of Public Debt. K2-CO3  
(Or)  
(b) Discuss the Effects and Burden of Public Debt. K2-CO4
10. (a) Explain Fiscal Policy Meaning and its Functions? K2-CO5  
(Or)  
(b) Explain Recommendations of Recent Finance Commission. K2-CO5