

# CONTENTS

## Module—I : Introduction

Evolution and Development of the Subject; Definition of Public Finance; Subject Matter and Scope of Public Finance; Public and Private Finance; Dis - Similarities; The Principle of Maximum Social Advantage; Extent of Public Revenue and Expenditure Activity; Distribution of Resources; Distribution of Burden of Taxation; Musgrave's approach to Maximum Social Advantage; Objective Test of Social Advantage; Limitations of the Principle of Maximum Social Advantage.

## Module—II : *Section-I* : The Case For A Public Sector

The basic economic decisions; The dynamics of the role of government in a capitalist economy; Basic Ingredients of a market Economy; changing dimensions: The need for government activity in a capitalist system; role of government in a mixed economy.

## Module—II : *Section-II* : Public Sector And Allocation of Resources

Utility approach to economic welfare; pareto optimality; pareto efficient allocation; market failures and governmental intervention; negative externality and market inefficiency; corrective policy and negative Externalities; positive externality and market inefficiency; Provision of public goods; Decreasing Cost; Allocative efficiency and monopoly; Market imperfections; uncertainty as a source of market failure; market efficiency and income distribution; Multiple Theory of Public Household; the allocation function; the distribution function; Fiscal instruments of distribution Policy; The stabilization function; instruments of stabilization policy; coordination function; Provision of public Goods—basic concepts and theory; Private goods; public goods; merit wants and merit goods; pure public good; optimal provision of pure public good; Efficient output level of a pure public good; impure public goods; Mixed goods or quasi public goods; public intermediate goods; club goods; Theory of clubs; local public goods (tiebout model); theories of public goods allocation; the marginal utility theory of public goods; Public goods allocation: The marginal utility approach; allocation; voluntary exchange approach; Voluntary Exchange Approach; samuelsons theory of public Good Allocation.

## **Module—II : Section—III : Public Choice Theory**

Voting Model; The optimal Constitution; Log Rolling-The Buchanan Tullock Model; The Downs Theory of Democracy; Revealing Social Preference: The Wicksell Approach.

## **Module—III : Public expenditure**

Meaning and scope of public expenditure; Reasons for the growth of Public Expenditure; Theoretical Analysis of Public Expenditure Growth; Wagner's Hypothesis; Statement of the Hypothesis; Graphic Presentation of the Wagner Hypothesis; Criticism of Wagner's Hypothesis; Peacock and Wiseman Hypothesis; Colin Clark's Critical Limit Hypothesis; Evaluation of the Positive Theory of Public Expenditure; Canons of Public Expenditure; Classification of Public Expenditure; Effect of Public Expenditure; Regressive, Proportional and Progressive Public Expenditure; Meaning of Cost Benefit analysis; Basic Postulates of Cost-Benefit Analysis.

## **Module—IV : Public Revenue**

Meaning of Public Revenue; Classification of Public Revenue; Major Source of Revenue to a Modern Government; Tax-Definition and Characteristics; Objectives of Taxation; Principles or Canons of Taxation; Characteristics of a Good Tax System; Modern View On Sound Tax System; Musgrave's View; Distribution of Tax Burden-The Principle of Equity; The Cost of Service Principle; The Benefit Principle; An Assessment of the Benefit Approach; Conclusion; Limitations of the Subjective Approach; Objective Approach to Ability to Pay; Index of Ability under Objective approach; The Concept of Optimal Taxation; Shifting and Incidence to Tax; Formal Incidence and Effective Incidence; Forward Shifting and Backward Shifting; Theories of Tax Shifting; Nature of Demand and Supply and Shifting of Tax; Incidence of the Tax in the Real Life; Factors Determining the Incidence and Shifting of a Tax; Fiscal Incidence and its Measurement – Musgrave's Approach; Measure of Change in Distribution; Particular Taxes and Shifting Process; Taxable Capacity; Taxable Capacity in India; Classification of Taxation; Arguments for And against Proportional Taxation; Arguments Against Proportional Taxation; Merits and Demerits of Progressive Taxation; Demerits of Progressive Taxation; Effects of Taxation; Ad Valorem and Specific Duty; Value Added Tax (VAT); Single and Multiple Tax System; Effects to Taxation.

## **Module—V : Public Debt**

Occasions of Public Debt; Different Forms of Public Debt; Redemption of Public Debt; Arguments in Favour of Capital Levy; Arguments Against Capital Levy; Burden of Public Debt; Public Debt and Economic Growth; Issues in Debt Management; Emerging Issues in Debt Management; Debt Burden and Intergeneration Equity – The Burden Controversy; Effects of Public Debt; Domer's Views On Burden of Public Debt.

## **Module—VI : Fiscal Policy**

Modern Views on Fiscal Policy; The Concept of Functional Finance; Rules of Functional Finance; Role of Functional Finance under Inflation; Role of Functional Finance Under Deflation; The Concept of Built-in-Stabilisers; The Concept of Discretionary Fiscal Policy;

Fiscal Drag; Contra-Cyclical Budgeting; Compensatory Fiscal policy; The Concept of Pump Priming; Role of Fiscal Policy in Developing Economy; Deficit Financing; Meaning and Definition; Major Objectives of Deficit Financing; Deficit Financing and Economic Development; Effects of Deficit Financing; Limitations of Deficit Financing; Deficit Financing in India.

#### **Module—VII : The Budget**

Meaning and Definition; Canners or Principles of Budgeting; Types of government Budget or Classification of Budget; Zero Based Budgeting in India; Modern Classification of Budget; Performance Budgeting in India; Planning Programming and Budgeting System (PPBS); The Budgetary Process in India; Execution of the Budget; Budgetary Deficits and its Measurement.

#### **Module—VIII : Fiscal Federalism**

The concept of federal Finance; Principles of Federal Finance; Other Important Principles; The salient problems of Federal Finance; Vertical Fiscal Imbalance; Horizontal Fiscal Imbalance; Methods of Inter governmental Resource Transfer.

#### **Module—IX : Fiscal Federalism In India**

Centre-State Financial Relations in India; Fiscal Imbalance; Mechanism of Fiscal Adjustment in India; Major Problems in Centre-state Financial Relations in India; Suggestions for Balanced Fiscal Federalism; Finance Commission; Finance Commission in India; Major Recommendations; Gadgil Formula; Main Features of Indian Tax Structure; Chelliah committee report on tax reforms; Guiding Principles of Tax Reforms; Tax reform committees Recommendations on corporate taxes; Tax Reform Committees Recommendations on Customs and Excise.

#### **Bibliography**

#### **Index**