

Public Economics and Public Policy

Jindal School of Liberal Arts and Humanities

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Instructor

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Course Description

This is the first undergraduate course on public economics that gives the students an overall idea about the reasons, procedures and consequences of effective government intervention. The course starts with understanding the incidences of market failure that mark the classic scope of government intervention. We then focus our attention to the topic of taxation, a major way to finance the public activities. We first focus on the various types of taxation, "incidence" and its effect on crucial variables in the economy: labor supply, savings, investment and risk sharing. Then we study the topic of optimal taxation and we emphasize on some foundational work on this topic that defined the discipline over several decades. Next, we move on to the topic of provision of public good, both by a government, and by private individuals with common self-interest. Finally, we conclude the course by initiating and engaging students in discussions regarding foundations of policy making and analysis of some key policies in the economy.

Prerequisites

The course will require a basic understanding of principles of microeconomics, and problem solving abilities with algebra and differentiation. For JSLH students, those who have completed Mathematical Foundation course surely qualifies to register. Students from other school should have completed equivalent courses to meet the prerequisite.

Textbook

Jonathan Gruber: *Public Finance and Public Policy*, 4th edition, 2012
Gareth Myles: *Public Economics*

Topics

The following topics will be covered in the below mentioned order.

- (a.) Recap: Basic microeconomics and first welfare theorem.
- (b.) Externalities and market failure: causes and remedies (Pigou and Coase).
- (c.) Basic theory of taxation: incidence and inefficiency.
- (d.) Effects of taxation on labor supply, and savings.
- (e.) optimal taxation: basic idea and some foundational work.

MIDTERM ASSESSMENT

- (f.) Public good: definition, characteristics and optimal provision by government.
- (g.) Private provision of public good: under-provision, free-riding and inefficiency. The neutrality theorem and crowding out.
- (h.) Charitable giving: Theory and experimental evidences
- (g.) General discussion on Public Policy.

FINAL ASSESSMENT

Instructor: *Subhra K. Bhattacharya*

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