Course Title:

**Economics for Policymaking**

Programme​ ​in​ ​which​ ​it​ ​is​ ​offered:​ **​**

**MA Public Policy and Governance**

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| **Course​ ​Category:​ ​Postgraduate Programme Schedule​ ​of​ ​Offering:​ ​Semester​ ​I**  **​**  **​ Course Credits:​ ​[4]**  **● Lecture:​ ​[4​ ​hours​ ​per​ ​week]**  **● Tutorial:​ ​[1​ ​hour​ ​per​ ​week]**  **● Practical:​ ​[none]**  **Contact​ ​hours​ ​per​ ​week:​ ​[4 ​hours​ ​per​ ​week]**  **Course​ ​Instructor:​ ​ Course Code: EGCS 702** |

**1. Introduction**

A public policy by enlarge is determined to cater to the economic interest of the public or the state. The objective of the paper ‘Economics for Policymaking’ is to equip students with the fundamental conceptual foundation of micro and macroeconomics by providing concrete examples of their application in real time. The course will enhance students’ knowledge on the implications of fiscal and monetary policies in the economy. On completion of the course, students will acquire the ability to critically examine the economic policy and look beyond the first stage of the impact of policy outcomes.

The subject will expose students to the realms of free market and state protection economies. It will explore the government’s role in a state, the implications of government intervention in a market economy and the rationale behind government’s intervention, despite it causing market failure. Broadly, it will explain the role of the government in the economy and apply basic macro and micro theoretical questions in answering important policy questions.

**2. Course Objectives**

The​ ​course​ ​aims to

1. Deliver basic understanding of fundamental concepts of Economics and the application of theoretical concepts in policy issues
2. Comprehend how market system and state system work and identify the student’s alignment towards a particular system
3. Make students analyse market fluctuations and implications of public policies

**3. Pre-requisites**

1. Graduation in any discipline

2. An elementary reading on Public Policy, Constitution of India and Indian Economics

3. Openness towards new schools of thoughts and an interest to keep you updated

**4. Readings**

There shall be no textbooks for this course. However, a set of readings has been identified under each module of the course. Students will be required to access these reading materials from the library repository and make their own reading compendium.

Readings of 30−40 minutes length may be assigned before every classroom discussion, either from the given set of materials or from external materials which are related to classroom discussion. This also means the evaluation method does not follow syllabus-examination pattern (kindly see section ‘Evaluation’ for better understanding), and therefore the reading materials are for the purpose of assisting in the formulation of concepts in the minds of students.

**5. Module-wise Topics**

**Module 1:** Tools and Concepts for Economic Evaluation of Public Policy

**Topics:**

1. Principles of Microeconomics: Demand & Supply, Market Equilibrium, Elasticities of Demand
2. Government and Macro Economy – GDP, Inflation & Unemployment. Fiscal Policy Tools
3. Signals of Economic Performances: A discussion on Prices, Wages, Economic Growth, Money Supply and Inflation
4. Politics vs Economics, Relation between Political Freedom and Economic Freedom, What Constitutes an Ideal Economic Policy?
5. Fixing Economic Problems: Macro vs Micro Economic Tools in Public Policy, the Fetish of Employment Generation, Protectionism, Taxes and Tariffs
6. Public Policy: Opportunity Cost as a Framework to Evaluate Public Policy, Broken Window Fallacy
7. Public Choice Theory an Introduction: Applying Economics to the Theory and Practice of Politics and Government Decision Making

**Learning Objectives:**

1. Introduce students to the basic economic concepts and tools used to evaluate public policy
2. To equip students with a broad framework to understand public policy
3. To teach how economics theory is applied to understand government decision making

**Learning Outcomes:**

1. The student will be able to critically examine economic policy and look beyond the first stage of the impact of policy outcomes
2. The student will have a broader canvas to understand economic policy and will be able to identify the movement of key signals that impact policy outcomes
3. The student will be introduced to key texts and ideas of public choice theory

**References/Suggestive Readings:**

1. Mankiw, N. Gregory. 2007. *Principle of Economics*. 4th ed. Thomson South Western.
2. Ahuja, H.L*.* 2016*. Principles of Micro-economics*. 22nd ed. S Chand Publishing.
3. Pindyck S. Robert, and Daniel L. Rubinfeld. 2009. *Microeconomics*. 7th ed. North Carolina State University.
4. Varian, R. Hal. 2010. *Intermediate Microeconomics*: *A Modern Approach*. 8th ed. Springer (India).
5. Salvatore, Dominick. 2017. *Microeconomics Theory*. 3rd ed. McGraw Hill Education.

**Module 2:** Market Mechanism and the Role of the State: Key Areas of Debate

**Topics:**

1. Closed vs Open Societies, the Role of Trade and Exchange, the Idea of Free Trade
2. How do Free Markets Work? Regulations and Free Market, What Needs to be Regulated? Consequences of a Regulatory Environment. The Role of Property Rights and Rule of Law, Do Markets Fail?
3. Public Goods in Theory and Practice: Public Goods and Private Goods, Public Goods and Market Failure, Free-Rider’s Problem, the Tragedy of the commons, Efficiency Condition for Public Goods, The Samuelson Rule
4. How do Countries Grow Rich? Capital Markets, Banking and Monetary Stability
5. Market Structure, Imperfection competition, Asymmetric Information, Moral Hazard, Adverse Selection. Oligopoly- Cartel formation, Collusive Behaviour.
6. Monetary Policy Tools
7. Imperfect Information, Adverse Selection and Moral Hazard and Social Insurance
8. Competition Policy and Regulation
9. Technology, Division of Labour, A Debate on Unemployment and Inequality

**Learning Objectives:**

1. The broad objective of the module is to expose the students to the choice in the public policy sphere between free markets and state protection
2. We will introduce key ideas on how the market system works as compared to the state system
3. The students will understand how these ideas translate into public policy discussions and how they are shaped in a market-led environment as compared to a state-led one

**Learning Outcomes:**

1. At the end of the module, the student will be able to develop his position based on understanding the key public policy debates between advocates of free markets and advocates of protectionism
2. The student will understand key issues in public policy debates and will be able to use data from various sources to make strong critical arguments on particular policies

**References/Suggestive Readings:**

1. Adam,Smith. 2012. *The Wealth of Nations*. Simon & Brown.
2. Armen A. Alchian. Property Rights.
3. Murray N. Rothbard. Free Market.
4. Shouvik, Chakraborthy.  ‘Why Political Markets Don’t Work’.
5. Mises, von Ludwig and Bettina Bien Greaves. 2006. *Economic Policy: Thoughts for Today and Tomorrow*. 3rd ed.
6. Friedman, Milton. 1962. The Relation between Economic Freedom and Political Freedom. *Capitalism and Freedom*. pp.7−21. University of Chicago Press.

**Module 3:** Welfare State, India and the World

**Topics:**

1. Welfare State and Public Policy, History and Evolution, Case Studies in the World Economy
2. Indian Economy, Evaluation of Policies Post-Independence, Policy Perspective Post-Liberalisation; Economic Growth vs Development
3. Role of Government and the Rationale for Public Policies: Efficiency, Market and Market Failure and the Rationale for Government Intervention; Natural Monopoly and Market Failure; The Problem of Externalities and their Internalisations
4. Efficiency and Equity Principles of Taxation; Incentive Effects of Taxation on Labour Supply, Supply of Savings and Risk Taking; Taxation and Investments; Efficiency Cost of Taxation, other Distorting Effects of the Tax System; Tax Incidence — Partial and General Equilibrium Analysis; Optimal Design of Tax and Social Policy, Keynesian Short Run Model of Tax Incidence; Dynamic Tax Incidence
5. Issues of Indirect Taxation — Principles and Structures, GST — Principles and Issues.
6. State Provisioning for Development Goals — A Critical Evaluation; The Case of Education and Health in Indian Economy

**Learning Objectives:**

1. This session is designed to introduce the student to the history of debates in public policymaking
2. It will give key insights into the development of Indian economy and why the idea of state provisioning of goods is accepted as a normal by majority
3. It will help the students to understand the efficiency of alternative provisioning systems and expose them to key insights in the development of think tanks

**Learning Outcomes:**

1. The student will have a good understanding of the historical evolution of policies in India and selected regions of the world
2. The student will be in a position to develop broad objectives to design and develop his/her version of a public policy think tank as an alternative to push forward development ideas into the public domain

**References/Suggestive Readings:**

1. Atkinson, A. B. and N. Stern. 1974. Pigou, taxation, and public goods. *Review of Economic Studies* 41, No.1: 119−128.
2. Musgrave R. A. and A. T. Peacock. (eds.). 1994. *Classics in the Theory of Public Finance.* International Economic Association.
3. Stiglitz, E. Joseph and Jay K. 2015. *Economics of the Public Sector*. 4th ed. W. W. Norton & Company.
4. Dalton, Hugh. 1997. *Principles of Public Finance*. 4th ed. Allied Publishers.
5. Gwartney, D. James, Richard L. Stroup, and Dwight R. Lee. 2005. *Common Sense Economics: What Everyone Should Know About Wealth and Prosperity*. St. Martin's Press.
6. Butler, Eamonn. 2012. *Public Choice – A Primer*. The Institute of Economic Affairs.
7. Swenarton, Mark, Avermaete, Tom and van den Heuvel, Dirk (eds.). 2014. *Architecture and the Welfare State*. 1st edition. Routledge.
8. Sowell, Thomas. 2008. *Applied Economics: Thinking Beyond Stage One*. 2nd ed. Basic Books.

**6. Pedagogy**

The teaching methodology will be primarily lecture oriented, but in participatory brainstorming mode. Proper emphasis shall be given to prior reading and learning activities. Tutorial sessions shall be used to assist students in their analysis about subject matter presented to them through classroom discussions and​ ​reading​ ​materials. Topic-wise teaching pedagogy is mentioned in section 8.

**7. Evaluation​ ​Pattern**

Evaluation will follow a continuous evaluation pattern on a multiple component basis. The evaluation shall be based on the idea that a student should be able to showcase either a persistent commitment or a steady growth. Preferable mode of evaluation for each topic is mentioned in Section 8.

Internal evaluation 50%

External Evaluation: 50%

***Internal evaluation***

Class participation -10%

Individual Assignment- 20%

Case study and Group presentation- 20%

***External Evaluation***

End Semester Exam/or Research project & Viva: 50%

**8. Session​-wise​ ​Course​ ​Outline**

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| Module 1: Tools and Concepts for Economic Evaluation of Public Policy | | | | |
| Units | **Topics** | **No: of Hrs** | **Teaching Pedagogy** | **Mode of Evaluation** |
| 1 | Principles of Microeconomics: Demand & Supply, Market Equilibrium, Elasticities of Demand | 3 | Lectures, videos and discussions, problem-based learning, critical reading of policy documents | MCQ |
| 2 | Government and Macro Economy – GDP, Inflation & Unemployment. Fiscal Policy Tools. Signals of Economic Performances: A Discussion on Prices, Wages, Economic Growth, Money Supply and Inflation.  Politics vs Economics, Relation between Political Freedom and Economic Freedom, What Constitutes an Ideal Economic Policy? | 6 | Lectures and discussions | Critical essay |
| 3 | Fixing Economic Problems: Macro vs Micro Economic Tools in Public Policy; The Fetish of Employment Generation, Protectionism, Taxes and Tariffs | 3 | Interactive lectures, problem-based learning and critical reading of policy documents | Presentations/ case studies |
| 4 | Public Policy: Opportunity Cost as a Framework to Evaluate Public Policy, Broken Window Fallacy | 3 | Interactive lectures, problem-based learning, critical reading of Policy documents | Presentations/case studies |
| 5 | Public Choice Theory an Introduction: Applying Economics to the Theory and Practice of Politics and Government Decision Making | 3 | Lectures and discussions | Critical essay |

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| Module 2: Market Mechanism and the Role of the State: Key Areas of Debate | | | | |
| Units | **Topics** | **No: of Hrs** | **Teaching Pedagogy** | **Mode of Evaluation** |
| 1 | Closed vs Open Societies; the Role of Trade and Exchange; The Idea of Free Trade | 3 | Interactive lectures, problem-based learning | Data analysis assignment |
| 2 | How do Free Markets Work? Regulations and Free Market; What Needs to Be Regulated? Consequences of a Regulatory Environment  Do Markets fail? The Role of Property Rights and Rule of Law. | 3 | Interactive lectures, videos, readings from selected texts | Case study presentations |
| 3 | How do Countries Grow Rich? Capital Markets, Banking and Monetary Stability | 3 | Lectures, discussions | Presentations and discussions |
| 4 | Market Structure, Imperfect competition, Asymmetric Information, Adverse Selection and Moral Hazard and Social Insurance.  Oligopoly: Cartel formation, The Collusive Oligopoly | 3 | Lectures, readings from selected texts | Presentations and discussions |
| 6 | Monetary Policy Tools | 3 | Lectures, readings from selected texts | Presentations and discussions |
| 7 | Competition Policy and Regulation | 1 | Lectures, readings from selected texts, case studied |  |
| 8 | **Public Goods in Theory and Practice**: Public Goods And Private Goods, Public Goods and Market Failure, Free-Rider’s Problem, the Tragedy of the Commons, Efficiency Condition for Public Goods, The Samuelson Rule | 3 |  |  |
| 9 | Technology; Division of Labour; A debate on Unemployment and Inequality | 3 | Interactive lectures and discussions | MCQ/ classroom written exam |

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| Module 3: Welfare State, India and the World | | | | |
| Units | **Topics** | **No: of Hrs** | **Teaching Pedagogy** | **Mode of Evaluation** |
|  | Welfare State and Public Policy; History and Evolution; Case Studies in the World Economy | 3 | Interactive lectures and discussions | MCQ |
|  | Indian Economy; Evaluation of Policies Post-Independence; Policy Perspective Post-Liberalisation; Economic Growth vs Development | 3 | Lectures and videos | Data analysis assignments |
|  | Role of Government and the Rationale for Public Policies : Efficiency, Market and Governments’ Market Failure and the Rationale for Government Intervention; Natural Monopoly and Market Failure, The Problem of Externalities and their Internalisations | 3 | Lectures and videos |  |
|  | Efficiency and Equity Principles of Taxation; Incentive Effects of Taxation on Labour Supply, Supply of Savings and Risk Taking; Taxation and Investments; Efficiency Cost of Taxation, other Distorting Effects of the Tax System; Tax Incidence – Partial and General Equilibrium Analysis; Optimal Design of Tax and Social Policy, Keynesian Short Run Model of Tax Incidence; Dynamic Tax Incidence.  Issues of Indirect Taxation — Principles and Structures, GST- Principles and Issues. | 3 | Lectures |  |
|  | State Provisioning for Development Goals — a Critical Evaluation; The Case of Education and Health in Indian Economy | 3 | Lectures, case study discussions | Case study presentations |
|  | Policies towards Labour and Capital in India; Contributions to Economic Growth | 3 | Theoretical lectures and data discussion | Case study presentations |