University of Mumbai

INSTITUTE OF DISTANCE AND OPEN LEARNING

M.A. ECONOMICS

SEMESTER - II

PUBLIC ECONOMICS

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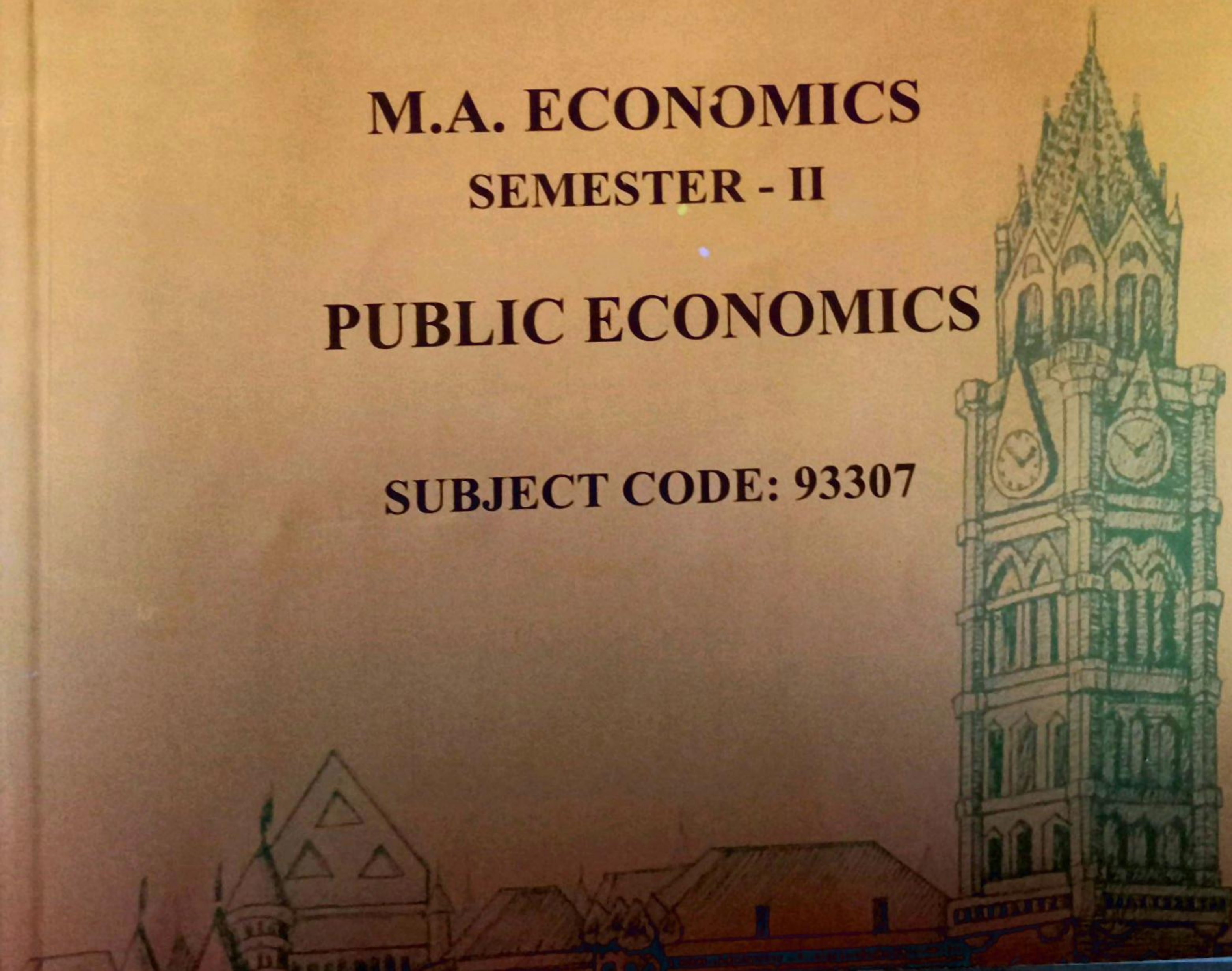

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MODULE I

1

GOVERNMENT IN A MARKET ECONOMY - I

Unit Structure

1.0 OBJECTIVES

After studying this module, we will come to know how important is government's intervention in market economy, also we will come to know what are the means government have to intervene in economy. Also, its impact on economy. Further this module will put light on following points, that is Market failure, Taxes, redistribution, social choice voting rules arrows impossibility theorem.

1.1 INTRODUCTION

The study of public economics has a long tradition. It developed out of the original political economy of John Stuart Mill and David Ricardo, through the public finance tradition of tax analysis into public economics, and has now returned to its roots with the development of the new political economy. From the inception of economics as a scientific discipline, public economics has always been one of its core branches. The explanation for why it has always been so central is the foundation that it provides for practical policy analysis. This has always been the motivation of public economists, even if the issues studied and the analytical methods employed have evolved over time.

In the broadest interpretation, public economics is the study of economic efficiency, distribution, and government economic policy. The subject encompasses topics as diverse as responses to market failure due to the existence of externalities, the motives for tax evasion, and the explanation of bureaucratic decision-making. In order to reach into all of these areas, public economics has developed from its initial narrow focus on the