

6. **Compensating Wage Differentials:** The market for risky jobs; The hedonic wage function; Compensating differentials and job amenities
7. **Human Capital:** Education in the labor market: some stylized facts; Present value ; The schooling model; Education and earnings; Estimating the rate of return to schooling; Do workers maximize lifetime earnings?; Schooling as a signal; Post-school human capital investments; On-the-job training; On-the-job training and age-earnings profile
8. **The Wage Structure:** The earning distribution; Measuring inequality; The wage structure: basic facts; The earnings of superstars; Inequality across generation
9. **Labor Mobility:** Geographic migration as a human capital investment; Internal migration; Family migration; The decision to immigrate; Job turnover: facts; The job match; Specific training and job turnover; Job turnover and age-earnings profile
10. **Labor Market Discrimination:** Race and gender in the labor market; The discrimination coefficient; Employer discrimination; Employee discrimination; Customer discrimination; Statistical discrimination; Measuring discrimination; Discrimination against other groups
11. **Labor Union:** Unions: background and facts; Determinants of union membership; Monopoly unions; Efficient bargaining; Strikes; Union wage effects; The exit voice hypothesis
12. **Incentive Pay:** Price rates and time rates; Tournaments; Work incentives and delayed compensation; Efficiency wages
13. **Unemployment:** Types of unemployment; The steady-state rate of unemployment; Job search; The intertemporal substitution hypothesis; The sectoral shifts hypothesis; Efficiency wages revisited; Implicit contracts

#### **Basic Text**

Borjas, G. J. (2015). *Labor Economics* (7th ed.). McGraw-Hill.

#### **Books Recommended**

1. Filer, R. K., Hamermesh, D. S., & Rees, A. E. (1996). *The Economics of Work and Pay* (6th ed.). New York: Harpercollins College Publishers.
2. Ehrenberg, R. G., & Smith, R. S. (2018). *Modern Labor Economics: Theory and Public Policy*. New York: Routledge.
3. Laing, D. (2011). *Introduction to Classic and the New Labor Economics*, W. W. Norton & Company.
4. Snower, D. J., & Dehesa, G. (eds.) (1997). *Unemployment Policy: Government Options for the Labour Market*. Cambridge: Cambridge University Press.

#### **ECON 402: Public Finance**

**Credit Hours: 04**

(Note: All Topics should be studied in the context of Bangladesh, when relevant).

**Rationale:** Public Finance is the branch of economics that studies the role of the public sector in the economy. In this course, we will study the intellectual foundations that justify the existence of the public finance. This course focuses on the examination of the government revenue and expenditure and it distinguishes public finance from the private finance. Monetary and fiscal policies and public debt management will be examined

**Pre requisite:** Principles of Microeconomics, Principles of Macroeconomics

**Course Objective:** The primary course objective is to provide students with the tools, and the skills to use these tools, to understand the underlying concepts and practical tradeoffs entailed in public finance policy alternatives. This will prepare students to be informed consumers of public finance data, and thus equip them to engage constructively in the formulation, implementation, and evaluation of public finance policies.

**Intended Learning outcomes:** On successful completion of this course, student should be able to:

1. analyze the functioning of modern public finance;

2. identify the types of public needs and the mechanisms of their financing;
3. argue the theoretical basis of public expenditures and to analyze their types and economic effects;
4. classify public revenues and integrate them into the fiscal and tax system; and
5. classify public revenues and expenditures through the budget and to analyze the instruments and objectives of budgetary policy.

#### Course Content:

1. **Introduction:** Definition, nature and scope of public finance; Basic objectives of public finance and private finance; Role of public finance in developing, developed capitalists and socialists countries.
2. **Theory of Market Failure:** Theory of public good; Concepts; Pricing of public good; Coase's Theorem; Public good and externalities; Role of Govt. in the economy.
3. **Public Expenditure:** Different theories of public Expenditure; Causes of growth of public expenditure; Effects of public expenditure on the supply of different factors of production.
4. **Principle of Taxation:** Benefit approach; Ability to pay approach; Equity considerations.
5. **Composition of Tax Structure:** Proportional, progressive and regressive taxation; Critical appraisal of the theories; Tax structure of Bangladesh; Direct and indirect taxes.
6. **Method of Tax Analysis:** Incidence of taxation; Partial equilibrium vs. general equilibrium analysis; Adjustment and re-adjustment in work effort; Saving, income and output; Incidence of poll tax; Income tax; Corporation tax; Custom duties; Excise tax; Property tax; Value added tax; Burden of tax.
7. **Economics of Subsidy**
8. **Public Debt:** Place of loans in public finance; System of public debt; Internal and external debts; Burden of debt; Management of debt; Limit of public borrowing.
9. **The Budget:** Concepts and implications of balanced and unbalanced market; Budget accounting and its significances; Budget balances and national balances; Budget making in Bangladesh; Critical appraisal of the recent budgets of Bangladesh; Sources of revenues.
10. **Fiscal Policy:** The making of fiscal policy; Political and economic considerations; Objective of fiscal policy; Implementation of the policy; Fiscal policy in developed, developing and undeveloped Countries.
11. **Public Finance and Development Planning:** Taxation as an instrument of resource finance and development planning; Taxation as an instrument of resource mobilization; Allocation and distribution; Economics of subsidy.
12. **Public Enterprise:** Public enterprise as in instrument of price policy.

#### Basic Text

Hyman, D. N. (2014). *Public Finance: A Contemporary Application of Theory to Policy*. Stamford, CT: Cengage Learning.

#### Books Recommended

1. Aronson, J. R. (1996). *Public Finance*. New York: McGraw-Hill Book Company.
2. Bhatia, H. L. (2012). *Public Finance*. New Delhi: Vikas.
3. Gifford, A., & Santoni, G. J. (1989). *Public Economics: Politicians, Property Rights, and Exchange*. Bundoora, Vic: Borchardt Library, La Trobe University.
4. Herber, B. P. (1996). *Modern Public Finance*. Illinois: Richard D. Irwin.
5. Musgrave, R. A. (1961). *The Theory of Public Finance: A Study in Public Economy*. New York: McGraw-Hill.
6. Musgrave, R. A., & Musgrave, P. B. (1984). *Public finance in Theory and Practice*. New York: McGraw Hill.

7. Sobhan, R., & Ahmed, M. (1981). *Public enterprise in an intermediate regime: A study in the political economy of Bangladesh*. Dacca: Bangladesh Inst. of Development Studies.
8. Stiglitz, J. E., & Rosengard, J. K. (2015). *Economics of the Public Sector*. W.W. Norton & Company.

### **ECON 403: International Trade**

**Credit Hours: 04**

**Rationale:** The world is increasingly getting closer through trade and other means of globalization. Trade theories convincingly show the gains from trade for the participating countries. There are, however, some contrary views proposed by the political economy theorists that show the harmful effects of trade between the developed and the developed economies. Arguments for/against free trade make international trade a lively subject.

**Prerequisites:** Microeconomics, Macroeconomics

**Course Objectives:** The purpose of the course is to introduce theories of trade that explain gains from trade. Existence of protection through various types of trade policies and the debate over free trade are also discussed in this course. Other objectives of the course include providing idea about the formation and functions of some major international institutions such as World Bank, IMF, and WTO.

**Intended Learning Outcomes:** After successful completion of the course, students will be able to:

1. explain why countries trade with each other;
2. construct and read balance of payment account of a country;
3. explain the consequences of trade imbalances for a country;
4. analyze the welfare effects of trade policies; and
5. understand the purposes and functions of World Bank, IMF, and WTO.

#### **Course Content:**

1. **Introduction:** Globalization of the world; International flow of goods and services, and labor; Current international economic problems and challenges
2. **International Trade Theory**
  - i. **The Ricardian Model:** The Mercantilists' views on trade; The theory of absolute advantage; The theory of comparative advantage; Solving for international price.
  - ii. **The Standard Theory of International Trade:** The production possibilities frontier with increasing costs; Community indifference curves; Equilibrium in isolation; The basis for and gains from trade with increasing costs; Trade based on differences in tastes.
  - iii. **Demand and supply, offer curves, and the terms of trade:** The equilibrium-relative commodity price with trade—partial equilibrium analysis; Offer curves; The equilibrium-relative commodity price with trade—general equilibrium analysis; Terms of trade.
  - iv. **Factor Endowments and The Heckscher-Ohlin theory:** Assumptions of the theory; Factor intensity, factor abundance, and the shape of the production frontier; The Heckscher-Ohlin theory; Factor-price equalization and income distribution;
3. **International Trade Policy**
  - i. **Import Tariffs:** Partial equilibrium analysis of a tariff; The theory of tariff structure; General equilibrium effects of a tariff in a small country; General equilibrium effects of a tariff in a large country; The optimum tariff.
  - ii. **Nontariff Trade Barriers:** Import quotas; Export subsidies; Voluntary export restraints; Technical, administrative, and other regulations; International cartels; Dumping; Arguments for protection.
  - iii. **Economic Integration:** The degree of economic integration; Trade-creating customs unions; Trade-diverting customs unions; Static welfare effects of customs unions; Dynamic benefits from customs unions; History of attempts at economic integration customs union and free trade area (e.g. EU, ASEAN, NAFTA, SAARC).
4. **Major International Trade Institutions:** WTO, World Bank, IMF, UNCTAD, IFC etc.