

SYBAF SEMESTER III

Business Economics - II

SYLLABUS OBJECTIVES

- * To introduce concept of Macroeconomics and various circular flows of income.
- * To make them understand various concepts in money, prices and inflation.
- * To make them aware about public finance in depth.
- * To make them understand about various sources of public revenue and public expenditure.

Modules at a Glance

- * 1 Overview of Macroeconomics
- * 2 Money, prices and Inflation
- * 3 Introduction to Public Finance
- * 4 Public revenue, Public Expenditure and Debt
- * 5 Fiscal Management and Financial Administration

1 Overview of Macroeconomics

- * **Macroeconomics:** Meaning, Scope and Importance.
- * **Circular flow of aggregate income and expenditure** and its Importance- closed and open economy models
- * **The Measurement of National Product:** Meaning and Importance of National Income Accounting- conventional and Green GNP and NNP concepts - National Income and Economic Welfare.
- * **Trade Cycles:** Features and Phases
- * **Classical Macro economics : Say's law of Markets -** Features, Implications and Criticism

2 Money, prices and Inflation


- * **Money Supply:** Determinants of Money Supply - Factors influencing Velocity of Circulation of Money
- * **Demand for Money :** Classical and Keynesian approaches and Keynes' liquidity preference theory of interest - Friedman's restatement of Demand for money
- * **Money and prices :** Quantity theory of money - Fisher's equation of exchange - Cambridge cash balance approach
- * **Inflation :** Demand Pull Inflation and Cost Push Inflation - Effects of Inflation- Nature of inflation in a developing economy - policy measures to curb inflation- monetary policy and inflation targeting

3 Introduction to Public Finance

- * **Meaning and Scope of Public finance.**
- * **Major fiscal functions** : allocation function, distribution function & stabilization function
- * **Principle of Maximum Social Advantage:** Dalton and Musgrave Views - the Principle in Practice, Limitations.
- * **Relation between Efficiency, Markets and Governments**
- * **The concept of Public Goods and the role of Government**

4 Public revenue, Public Expenditure and Debt

- * **Sources of Public Revenue** : tax and non-tax revenues
- * Objectives of taxation - Canons of taxation - Types of taxes : direct and indirect - Tax Base and Rates of taxation : proportional, progressive and regressive taxation
- * **Shifting of tax burden:** Impact and incidence of taxation - Processes- factors influencing incidence of taxation
- * **Economic Effects of taxation:** on Income and Wealth, Consumption, Savings, Investments and Production.
- * **Redistributive and Anti – Inflationary nature of taxation** and their implications
- * **Public Expenditure:** Canons - classification - economic effects of public spending - on production, consumption, distribution, employment and stabilization - Theories of Public Expenditure: Wagner’s Hypothesis and Wiseman Peacock Hypothesis - Causes for Public Expenditure Growth.

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- * **Significance of Public Expenditure:** Social security contributions- Low Income Support and Social Insurance Programmes.
 - * **Public Debt :** Classification - Burden of Debt Finance : Internal and External- Public Debt and Fiscal Solvency

5 Fiscal Management and Financial Administration

- * **Fiscal Policy:** Meaning, Objectives, constituents and Limitations.
- * **Contra cyclical Fiscal Policy and Discretionary Fiscal Policy :** Principles of Sound and Functional Finance
- * **Budget-** Meaning objectives and types - Structure of Union budget - Deficit concepts-Fiscal Responsibility and Budget Management Act.
- * **Intergovernmental Fiscal Relations :** fiscal federalism and fiscal decentralization - central-state financial relations - 14th Finance Commission recommendations

SYLLABUS OUTCOMES

- * Understand the concept of Macroeconomics and various circular flows of income.
- * Understand various concepts in money, prices and inflation.
- * Aware of public finance in depth.
- * Understand various sources of public revenue and expenditure.
- * An appreciation of the ethical issues in economics competition.