

**SYLLABUS FOR
B.A. HONOURS AND REGULAR ECONOMICS
UNDER CHOICE BASED CREDIT SYSTEM**

**Approved by
the Board of Studies of Economics held
on 12 Nov 2017**



**B.B.(Auto) Mahavidyalaya,
Chandikhole, Jajpur**

SYLLABUS FOR B.A. (HONORS) ECONOMICS UNDER CHOICE BASED CREDIT SYSTEM OF UTKAL UNIVERSITY, BHUBANESWAR

Course Structure for B.A. (Honours) Economics

There are a total of fourteen economics core courses that students are required to take across six semesters. All the core courses are compulsory. In addition to core courses in economics, a student of B.A. (Honours) Economics will choose four Discipline Specific Elective (DSE) Courses. The DSE Courses are offered in the fifth and sixth semesters and two such courses will be selected by a student from a set of courses specified for each of these semesters (Groups I and II in the attached table). It is recommended that each college should offer at least three DSE Courses in the fifth and sixth semesters to allow the students some minimal element of choice.

Contact Hours: Each course has 5 lectures and 1 tutorial (per group) per week. The size of a tutorial group is 8-10 students.

Note on Course Readings: The nature of several of the courses is such that only selected readings can be specified in advance. Reading lists will be updated and topic-wise readings will be specified at regular intervals, ideally on an annual basis.

Course Structure for B.A. (Honours) Economics

Semester I

1. **Economics Core Course 1:**
Introductory Microeconomics
2. **Economics Core Course 2:**
Mathematical Methods for
Economics I
3. **AECC I:**
Environmental Studies
4. **Generic Elective Course (GE) I**

Semester III

1. **Economics Core Course 5:**
Microeconomics I
2. **Economics Core Course 6:**
Macroeconomics I
3. **Economics Core Course 7:**
Statistical Methods for Economics
4. **Skill Enhancement Course (SEC) I:**
English
5. **GE III**

Semester V

1. **Economics Core Course 11:** Indian
Economy I
2. **Economics Core Course 12:**
Development Economics I
3. **Discipline Specific Electives (DSE)
Course I**
(From List of Group I)
4. **Discipline Specific Electives (DSE)
Course II**
(From List of Group I)

DSE Group I

1. Economic History of India (1857-
1947)
2. Introductory Econometrics
3. Odisha Economy
4. Research Methodology

Semester II

1. **Economics Core Course 3:**
Introductory Macroeconomics
2. **Economics Core Course 4:**
Mathematical Methods for
Economics II
3. **AECC II:**
MIL (Odia / AE)
4. **Generic Elective Course (GE) II**

Semester IV

1. **Economics Core Course 8:**
Microeconomics II
2. **Economics Core Course 9:**
Macroeconomics II
3. **Economics Core Course 10:** Public
Economics
4. **Skill Enhancement Course (SEC) II-**
Finance Economics
5. **GE IV**

Semester VI

1. **Economics Core Course 13:** Indian
Economy II
2. **Economics Core Course 14:**
Development Economics II
3. **Discipline Specific Electives (DSE)
Course III**
Dissertation / Project
4. **Discipline Specific Electives (DSE)
Course IV**
(From List of Group II)

DSE Group II

1. Environmental Economics
2. International Economics
3. Agricultural Economics

Skill Enhancement Courses (SEC II)

1. Data Analysis and Computer Application
2. Financial Economics

Syllabus for BA Economics (Regular)
Core and Discipline Specific Electives (DSE) Courses

Semester I

Core Economics I:

Principles of Microeconomics I

Semester III

Core Economics III:

Principles of Macroeconomics I

Semester V

Discipline Specific Electives I

One of the following:

1. **DSE 1:** Economic Development and Policy in India
2. **DSE 2:** Economic History of India 1857-1947

Semester II

Core Economics II:

Principles of Microeconomics II

Semester IV

Core Economics IV:

Principles of Macroeconomics II

Semester VI

Discipline Specific Electives II

One of the following:

1. **DSE 3:** Odisha Economy
2. **DSE 4:** Money and Banking

Core Economics Course 1: INTRODUCTORY MICROECONOMICS

Course Description

This course is designed to expose the students to the basic principles of microeconomic theory. The emphasis will be on thinking like an economist and the course will illustrate how microeconomic concepts can be applied to analyze real-life situations.

Module 1: Exploring the subject matter of Economics

The Ten Principles of Economics: How people make decisions; Working of the economy as a whole; Thinking Like an Economist: The economist as Scientist – The scientific method: Observation, Theory and more observation; Role of assumptions; Economic Models; The economist as a policy advisor; Why economists disagree; Graphs in Economics

Module 2: Supply and Demand: How Markets Work, Markets and Welfare

The market forces of demand and supply – Markets and competition; The demand curve – Market vs individual demand curve; Shifts in demand curve; The supply curve – Market vs individual supply curve; Shifts in supply curve; Equilibrium between supply and demand and changes there in; Price elasticity of demand and its determinants; Computing price elasticity of demand; Income and cross elasticity of demand; The price elasticity of supply and its determinants; Computing price elasticity of supply; Consumer Surplus and Producer Surplus; Market efficiency and market failure.

Module 3: The Households

The Budget Constraint; Preferences – representing preferences with indifference curves; Properties of indifference curves; Two extreme examples of indifference curves; Optimisation – Equilibrium; Change in equilibrium due to changes in income, changes in price; Income and substitution effect; Derivation of demand curve; Three applications – Demand for giffen goods, wages and labour supply, Interest rate and household saving.

Module 4: The Firm and Market Structures

Cost concepts; Production and costs; The various measures of cost – Fixed and variable cost, average and marginal cost; Cost curves and their shapes; Costs in the short run and in the long run; Economies and diseconomies of scale. Firms in competitive markets – What is a competitive market; Profit maximisation and the competitive firm's supply curve; The marginal cost curve and the firm's supply decision; Firm's short-run decision to shut down; Firm's long-run decision to exit or enter a market; The supply curve in a competitive market – short run and long run; Monopoly - Why monopolies arise and public policy towards monopolies

Module 5: The Input Markets

The demand for labour – The production function and the marginal product of labour; Value of the marginal product of labour and demand for labour; Shifts in labour demand curve; The supply of labour – the trade-off between work and leisure; Shifts in the labour supply curve; Equilibrium in the labour market; Other factors of production: Land and capital; Linkages among factors of production.

Readings:

1. Principles of Economics, Gregory N Mankiw, 6e Cengage Learning India Private Limited, New Delhi
2. William A McEachern and Simrit Kaur (2012): *Micro Econ: A South-Asian Perspective*, Cengage Learning India Private Limited, New Delhi.
3. Karl E. Case and Ray C. Fair (2007): *Principles of Economics*, 8th Edition, Pearson Education Inc.

Core Economics Course 2: MATHEMATICAL METHODS FOR ECONOMICS I

Course Description

This is the first of a compulsory two-course sequence. The objective of this sequence is to transmit the body of basic mathematics that enables the study of economic theory at the undergraduate level, specifically the courses on microeconomic theory, macroeconomic theory, statistics and econometrics set out in this syllabus. In this course, particular economic models are not the ends, but the means for illustrating the method of applying mathematical techniques to economic theory in general. The level of sophistication at which the material is to be taught is indicated by the contents of the prescribed textbook.

Module I: Preliminaries

Sets and set operations; relations; functions and their properties; Number systems

Module II: Functions of one real variable

Types of functions- constant, polynomial, rational, exponential, logarithmic; Graphs and graphs of functions; Limit and continuity of functions; Limit theorems

Module III: Derivative of a function

Rate of change and derivative; Derivative and slope of a curve; Continuity and differentiability of a function; Rules of differentiation for a function of one variable; Application- Relationship between total, average and marginal functions

Module IV: Functions of two or more independent variables

Partial differentiation techniques; Geometric interpretation of partial derivatives; Partial derivatives in Economics; Elasticity of a function – demand and cost elasticity, cross and partial elasticity

Module V: Matrices and Determinants

Matrices: concept, types, matrix algebra, transpose, inverse, rank; Determinants: concept, properties, solving problems using properties of determinants, solution to a system of equations - Cramer's rule and matrix inversion method.

Readings:

1. K. Sydsaeter and P. J. Hammond (2002): *Mathematics for Economic Analysis*. Pearson Educational Asia
2. A. C. Chiang and K. Wainwright (2005): *Fundamental Methods of Mathematical Economics*, McGraw Hill International Edition.
3. T. Yamane (2012): *Mathematics for Economists*, Prentice-Hall of Ind

Core Economics Course 3: INTRODUCTORY MACROECONOMICS

Course Description

This course aims to introduce the students to the basic concepts of Macroeconomics. Macroeconomics deals with the aggregate economy. This course discusses the preliminary concepts associated with the determination and measurement of aggregate macroeconomic variable like savings, investment, GDP, money, inflation, and the balance of payments.

Module I: Basic Concepts

Macro vs. Micro Economics; Why Study Macroeconomics? Limitations of Macroeconomics ; Stock and Flow variables, Equilibrium and Disequilibrium, Partial and General Equilibrium Statics – Comparative Statics and Dynamics ; National Income Concepts – GDP, GNP, NDP and NNP at market price and factor cost; Personal Income and Disposable personal Income; Real and Nominal GDP

Module II: Measurement of Macroeconomic Variables

Output, Income and Expenditure Approaches ; Difficulties of Estimating National Income; National Income Identities in a simple 2- sector economy and with government and foreign trade sectors; Circular Flows of Income in 2, 3 and 4-sector; economies; National Income and Economic Welfare ; Green Accounting.

Module III: Money

Evolution and Functions of Money, Quantity Theory of Money – Cash Transactions, Cash Balances and Keynesian Approaches, Value of Money and Index Number of Prices

Module IV: Inflation, Deflation, Depression and Stagflation

Inflation – Meaning, Causes, Costs and Anti-Inflationary Measures; Classical, Keynesian, Monetarist and Modern Theories of Inflation, Deflation- Meaning, Causes, Costs and Anti-Deflationary Measures, Depression and Stagflation; Inflation vs. Deflation

Module V: Determination of National Income

The Classical Approach - Say's Law, Theory of Determination of Income and Employment with and without saving and Investment; Basics of Aggregate Demand and Aggregate Supply and Consumption- Saving – Investment Functions, The Keynesian Approach – Basics of Aggregate Demand and Aggregate Supply and Consumption, Saving, Investment Functions; The Principle of Effective Demand; Income Determination in a Simple 2-Sector Model; Changes in Aggregate Demand and Income- The Simple Investment Multiplier; Income Determination in a 3-Sector Model with the Government Sector and Fiscal Multipliers

Readings:

1. N. Gregory Mankiw (2010): *Macroeconomics*, 7th edition, Cengage Learning India Private Limited, New Delhi
2. Richard T. Froyen (2005): *Macroeconomics*, 2nd Edition, Pearson Education Asia, New Delhi.
3. Errol D'Souza (2009): *Macroeconomics*, Pearson Education Asia, New Delhi.

Core Economics Course 4: MATHEMATICAL METHODS FOR ECONOMICS II

Course Description

This course is the second part of a compulsory two-course sequence. This part is to be taught in Semester II following the first part in Semester I. The objective of this sequence is to transmit the body of basic mathematics that enables the study of economic theory at the undergraduate level, specifically the courses on microeconomic theory, macroeconomic theory, statistics and econometrics set out in this Syllabus. In this course, particular economic models are not the ends, but the means for illustrating the method of applying mathematical techniques to economic theory in general. The level of sophistication at which the material is to be taught is indicated by the contents of the prescribed textbook.

Module I: Linear models:

Input- Output Model: Basic concepts and structure of Leontief's open and static Input-Output model; solution for equilibrium output in a three industry model; The closed model - concept

Module II: Second and higher order derivatives:

Technique of higher order differentiation; Interpretation of second derivative; Second order derivative and curvature of a function; Concavity and convexity of functions; Points of inflection

Module III: Differentials and total derivatives:

Differentials and derivatives; Total differentials; Rules of differentials; Total derivatives; Derivatives of implicit functions

Module IV: Single and multivariable optimisation:

Optimum values and extreme values; Relative maximum and minimum; Necessary versus sufficient conditions - First and Second derivative tests; First and second order condition for extremum of multivariable functions; Convex functions and convex sets

Module V: Optimisation with Equality Constraints:

Effects of a constraint; Finding stationary value – Lagrange-Multiplier method (Two variable single constraint case only): First and second order condition; The Bordered Hessian determinant.

Readings:

1. K. Sydsaeter and P. J. Hammond (2002): *Mathematics for Economic Analysis*. Pearson Educational Asia
2. A. C. Chiang and K. Wainwright (2005): *Fundamental Methods of Mathematical Economics*, McGraw Hill International Edition.
3. T. Yamane (2012): *Mathematics for Economists*, Prentice-Hall of India

Core Economics Course 5: MICROECONOMICS I

Course Description

The course is designed to provide a sound training in microeconomic theory to formally analyze the behaviour of individual agents. Since students are already familiar with the quantitative techniques in the previous semesters, mathematical tools are used to facilitate understanding of the basic concepts; this course looks at the behaviour of the consumer and the producer and also covers the behaviour of a competitive firm.

Module I: Consumer Theory I

The market – Constructing a model; Optimisation and equilibrium; The demand curve and the supply curve; Market Equilibrium; The budget constraint and budget set; Changes in budget line; Effect of taxes, subsidy and rationing on budget set; Consumer Preferences – Indifference curves; Case of perfect substitutes, complements, neutrals, satiation, discrete goods; The marginal rate of substitution; Utility – Cardinal utility; Marginal utility and MRS; Optimal choice and consumer demand; Estimating Utility Functions; Implications of the MRS condition; Choosing taxes; Demand – Normal and inferior goods; Income Offer Curve and Engel Curve; Ordinary goods and Giffen goods; The Offer Curve and the demand Curve; The inverse demand function.

Module II: Consumer Theory II

The Substitution and Income Effects; Sign of Substitution Effect- Slutsky Approach: The Total Change in Demand; Rates of Change; The Law of Demand; Another Substitution Effect; Compensated Demand Curves; Consumer's Surplus – Demand for a discrete good; Constructing utility from demand; Other interpretations of consumer's surplus; Interpreting the change in consumer's surplus; Producer's surplus; Calculating gains and losses

Module III: Production Theory

Marginal Productivity, Isoquant Maps and the Rate of Technical Substitution, Production with One Variable Input (labour) and with Two-Variable Inputs, Returns to Scale, Four Simple Production Function (Linear, Fixed Proportions, Cobb-Duglas, CES), Technical Progress

Module IV: Cost Functions

Definition of Costs, Cost Functions and its Properties, Shift in Cost Curves, Cost in the Short-Run and Long-Run, Long-Run versus Short-Run Cost Curves, Production with Two Outputs – Economies of Scope

Module V: Profit Maximisation

The Nature and Behaviour of Firms, Profit Maximization, Marginal Revenue, Short-Run Supply by Price-Taking Firm, Profit Functions and its Properties

Readings:

1. C. Snyder and W. Nicholson (2012): Microeconomic Theory: Basic Principles and Extensions, 11th Edition, Cengage Learning, Delhi, India.
2. R. S. Pindyck, D. N. Rubinfeld and P. L. Meheta (2009): Microeconomics, 7th Edition, Pearson, New Delhi.
3. H. R. Varian (2010): Intermediate Microeconomics: A Modern Approach, 8th Edition, W.W. Norton and Company/Affiliated East-West Press (India). The workbook by Varian and Bergstrom may be used for problems

Core Economics Course 6: MACROECONOMICS I

Course Description

This course introduces the students to formal modelling of a macro-economy in terms of analytical tools. It discusses various alternative theories of output and employment determination in a closed economy in the short run as well as medium run, and the role of policy in this context. It also introduces the students to various theoretical issues related to an open economy.

Module I: Consumption Function

Consumption – Income Relationship, Propensities to Consume and the Fundamental Psychological Law of Consumption; Implications of Keynesian Consumption Function; Factors Influencing Consumption Function; Measures to Raise Consumption Function; Absolute, Relative, Permanent and Life – Cycle Hypotheses

Module II: Investment Function

Autonomous and Induced Investment, Residential Investment and Inventory Investment, Determinants of Business Fixed Investment, Decision to Invest and MEC, Accelerator and MEI Theories of Investment, Accelerator and profit theories

Module III: Demand for and Supply of Money

Demand for Money – Classical, Neoclassical and Keynesian Approaches, The Keynesian Liquidity Trap and its Implications, Supply of Money – Classical and Keynesian Approaches, The Theory of Money Supply Determination and Money Multiplier, Measures of Money Supply in India

Module IV: Aggregate Demand and Aggregate Supply

Derivation of Aggregate Demand and Aggregate Supply Curves in the IS-LM Framework; Nature and Shape of IS and LM curves; Interaction of IS and LM curves and Determination of Employment, Output, Prices and Investment; Changes in IS and LM curves and their Implications for Equilibrium

Module V: Inflation, Unemployment and Expectations, and Trade Cycles

Inflation – Unemployment Trade off and the Phillips Curve – Short run and Long run Analysis; The Policy Ineffectiveness Debate; Meaning and Characteristics of Trade Cycles; Hawtrey's Monetary Theory, Hayek's Over-investment Theory and Keynes' views on Trade Cycles

Readings:

1. N. Gregory Mankiw (2010): *Macroeconomics*, 7th edition, Cengage Learning India Private Limited, New Delhi
2. Richard T. Froyen (2005): *Macroeconomics*, 2nd Edition, Pearson Education Asia, New Delhi.
3. Errol D'Souza (2009): *Macroeconomics*, Pearson Education Asia, New Delhi.

Core Economics Course 7: STATISTICAL METHODS FOR ECONOMICS

Course Description

This is a course on statistical methods for economics. It begins with some basic concepts and terminology that are fundamental to statistical analysis and inference. It is followed by a study and measure of relationship between variables, which are the core of economic analysis. This is followed by a basic discussion on index numbers and time series. The paper finally develops the notion of probability, followed by probability distributions of discrete and continuous random variables and introduces the most frequently used theoretical distribution, the Normal distribution.

Module I: Data Collection and measures of central tendency and dispersion

Basic concepts: population and sample, parameter and statistic; Data Collection: primary and secondary data, methods of collection of primary data; Presentation of Data: frequency distribution; cumulative frequency; graphic and diagrammatic representation of data; Measures of Central Tendency: mean, median, mode, geometric mean, harmonic mean, their relative merits and demerits; Measures of Dispersion: absolute and relative - range, mean deviation, standard deviation, coefficient of variation, quartile deviation, their merits and demerits; Measures of skewness and kurtosis.

Module II: Correlation Analysis

Correlation: scatter diagram, sample correlation coefficient - Karl Pearson's correlation coefficient and its properties, probable error of correlation coefficient, Spearman's rank correlation coefficient, partial and multiple correlation.

Module III: Regression Analysis

Two variable linear regression analysis - estimation of regression lines (Least square method) and regression coefficients - their interpretation and properties, standard error of estimate

Module IV: Time Series and Index Number

Time Series: definition and components, measurement of trend- free hand method, methods of semi-average, moving average and method of least squares (equations of first and second degree only), measurement of seasonal component; Index Numbers: Concept, price relative, quantity relative and value relative; Laspeyer's and Fisher's index, family budget method, problems in construction and limitations of index numbers, test for ideal index number.

Module V: Probability theory

Probability: Basic concepts, addition and multiplication rules, conditional probability; Random variables and their probability distribution; Mathematical expectations; Theoretical Distribution: normal distribution - Properties and uses, problems using area under standard normal curve

Recommended books:

1. Jay L. Devore (2010): *Probability and Statistics for Engineering and the Sciences*, Cengage learning, 2010.
2. S. C. Gupta (): *Fundamentals of Statistics*, Himalaya Publishing House, Delhi
3. Murray R. Spiegel (): *Theory & Problems of Statistics*, Schaum's publishing Series.

Core Economics Course 8: MICROECONOMICS II

Course Description

This course is a sequel to Microeconomics I. The emphasis will be on giving conceptual clarity to the student coupled with the use of mathematical tools and reasoning. It covers Market, general equilibrium and welfare, imperfect markets and topics under information economics.

Module I: Firm Supply and Equilibrium

Market Environments; Pure competition ; Supply decision of a competitive firm and Exceptions; Inverse Supply Function; Profits and Producer's Surplus; Long Run Supply Curve of a Firm; Long Run Average Costs; Short Run and Long Run Industry Supply; Industry Equilibrium in Short and Long Run; Meaning of Zero Profits; Economic Rent.

Module II: General equilibrium, efficiency and welfare

The Edgeworth Box; Trade; Pareto Efficient Allocations; Existence of equilibrium and efficiency; The Welfare Theorems and their implications; The Firm; Production and the Welfare Theorems ; Production possibilities, comparative advantage and Pareto efficiency

Module III: Monopoly

Barriers to Entry, Profit Maximization and Output Choice, Monopoly and resource Allocation, Monopoly, Product Quality and Durability, Price Discrimination, Second Degree Price Discrimination through Price Schedules, Regulation of Monopoly, Dynamic Views of Monopoly

Module IV: Oligopoly

Oligopoly – Choosing a strategy; Quantity leadership – Problems of the follower and the leader; Price leadership; Comparing quantity leadership and price leadership; Simultaneous Quantity Setting; Example of Cournot Equilibrium; Simultaneous Price Setting; Collusion

Module V: Game Theory

The Payoff Matrix of a Game; Nash Equilibrium; Mixed Strategies ;The Prisoner's Dilemma; Enforcing a cartel;;A Game of entry deterrence.

Readings:

1. C. Snyder and W. Nicholson (2012): Microeconomic Theory: Basic Principles and Extensions, 11th Edition, Cengage Learning, Delhi, India.
2. R. S. Pindyck, D. N. Rubinfeld and P. L. Meheta (2009): Microeconomics, 7th Edition, Pearson, New Delhi.
3. H. R. Varian (2010): Intermediate Microeconomics: A Modern Approach, 8th Edition, W.W. Norton and Company/Affiliated East-West Press (India). The workbook by Varian and Bergstrom may be used for problems.

Core Economics Course 9: MACROECONOMICS II

Course Description

This course is a sequel to Macroeconomics I. In this course, the students are introduced to the long run dynamic issues like growth and technical progress. It also provides the micro-foundations to the various aggregative concepts used in the previous course.

Module I: Financial Markets and Reforms

Features of Financial Markets, Functions of Financial Markets, Banks and Financial Markets, Risk and Supply of Credit, The Determination of Banks Asset Portfolio, Financial Repression and Major Financial Sector Reforms in India, Lessons from the Global Financial Crisis and the Policy Response in India

Module II: Open Economy Macroeconomics

Balance of payments- Concept, Equilibrium and Disequilibrium, Measures to Correct Disequilibrium, Determination of Foreign Exchange Rate- the PPP Theory and its Implications, Fixed vs. Flexible Exchange Rates, The Short-run open economy Model, the basic Mundell-Fleming Model. International Financial Markets

Module III: Modelling Economic Growth

The Basic Harrod- Domar Model, Joan Robinson and the Golden Rule of Capital Accumulation, The Basic Solow Model, Theory of Endogenous Growth – the Rudimentary A-K Model

Module IV: Macroeconomic Policy

The Goals of Macroeconomic Policy and of Policy Makers, The Budget and Automatic Fiscal Stabilisers, The Doctrine of Balanced Budget and Keynesian Objections; Concepts of Budget, Revenue and Fiscal Deficits, Fiscal Policy: Objectives and Limits to Discretionary Policy, The Crowding –Out Hypothesis and the Crowding – in Controversy Meaning, Scope and Objectives of Monetary Policy, Instruments of Monetary Policy, the Transmission Mechanism of Monetary Policy, Rules vs. Discretion in Monetary Policy, Implications of Targeting the Interest Rate, Limits to Monetary Policy

Module V: Schools of Macroeconomic Thought and the Fundamentals of Macroeconomic Theory and Policy

Classics, Keynes, Monetarists, New Classicals and New Keynesians: (i) Keynes vs. the Classics – Aggregate Demand and Aggregate Supply, Underemployment Equilibrium and Wage Price Flexibility, (ii) Monetarists and Friedman’s Reformulation of Quantity Theory, Fiscal and Monetary Policy: Monetarists vs. Keynesians, (iii) The New Classical View of Macroeconomics and the Keynesian Counter critique,

Readings:

1. N. Gregory Mankiw (2010): *Macroeconomics*, 7th edition, Cengage Learning India Private Limited, New Delhi
2. Richard T. Froyen (2005): *Macroeconomics*, 2nd Edition, Pearson Education Asia, New Delhi.
3. Errol D’Souza (2009): *Macroeconomics*, Pearson Education Asia, New Delhi.

Core Economics Course 10: Public Economics

Course Description

Public economics is the study of government policy from the points of view of economic efficiency and equity. The paper deals with the nature of government intervention and its implications for allocation, distribution and stabilization. Inherently, this study involves a formal analysis of government taxation and expenditures. The subject encompasses a host of topics including public goods, market failures and externalities.

Module I: Introduction to public finance

Public Finance: meaning and scope, distinction between public and private finance; public good versus private good; Principle of maximum social advantage; Market failure and role of government;

Module II: Public Expenditure

Meaning, classification, principles, cannons and effects, causes of growth of public expenditure, Wagner's law of increasing state activities, Peacock-Wiseman hypotheses

Module III: Public Revenue

Sources of Public Revenue; Taxation - meaning, cannons and classification of taxes, impact and incidence of taxes, division of tax burden, the benefit and ability to pay approaches, taxable capacity, effects of taxation, characteristics of a good tax system, major trends in tax revenue of central and state governments in India

Module III: Public Budget

Public Budget: kinds of budget, economic and functional classification of the budget; Balanced and unbalanced budget; Balanced budget multiplier; Budget as an instrument of economic policy.

Module V: Public Debt

Sources, effects, debt burden – Classical, Ricardian and other views, shifting - intergenerational equity, methods of debt redemption, debt management, tax versus debt;

Readings:

1. J. Hindriks and G. Myles (2006): *Intermediate Public Economics*, MIT Press.
2. R. A. Musgrave and P. B. Musgave (1989): *Public Finance in Theory and Practices*. McGraw Hill
3. B. P. Herber (1975): *Modern Public Finance*.
4. B. Mishra (1978): *Public Finance*, Macmillan India limited.

SEC II: Financial Economics (Option I)

Course Description

This course intends to explain the ideas on financial system in India. It will help the students to enhance their knowledge on concepts like financial institutions, instruments and markets, their functioning and usage in real world.

Module I: Financial system

The structure of the financial system- Functions of the financial sector-Indicators of financial development; Financial System and Economic Development; financial inclusion: concept and its evolution; policy initiatives on financial inclusion.

Module II: Interest rate policy

Theories of interest rate determination-Level of interest rates-Long period and short period rates-Administered interest rates; Deregulation of interest rates; financial sector reforms in India.

Module III: Money market

Money Market: features; objectives; features of a developed and under developed money market; importance of money market; composition of money market: organized and unorganized; money market institutions and instruments; features and problems of Indian money market.

Module IV: Capital Market

Capital market: composition; Primary and secondary market for securities. Functions of new issue and secondary market; organizations of stock exchanges in India; defects in Indian stock exchange; SEBI; its objectives and functions

Module V: Non-Banking Financial Companies

Non-Banking Financial Companies: Hire purchase Companies-Venture Capital Companies. Insurance Sector: objectives, functions, life insurance and general insurance; IRDA and its role and functions in financial markets.

Basic Reading List

1. M.Y.Khan-Indian Financial System, Tata McGraw Hill, New Delhi.
2. L.M.Bhole: Financial institutions and Market, Tata McGraw hill, New Delhi.
3. Gorden & Natrajan: Financial Market and institutions, Himalaya Publishing house.