

# SYLLABUS

Panjab University, Chandigarh

## Public Finance and International Economics

B.A.–II, Semester–III

Time Allowed: 3 Hours

Maximum Marks: 100

[Theory: 90 Marks

Internal Assessment: 10 Marks]

**Course Objective:** The primary course objective is to introduce the students to the basics of public finance and international trade. The first two units aim to introduce students to the primary functions of government, to generate resources from the people and to spend money improving their lives. The last two units are concerned with basic theories of international trade and commercial policies, balance of payments, determination of exchange rates and role of international financial institutions.

### INSTRUCTIONS FOR THE PAPER SETTERS AND CANDIDATES

The syllabus has been divided into four units.

There shall be 9 questions in all. The first question is compulsory and shall be short answer type containing 12 short questions spread over the whole syllabus to be answered in about 25 to 30 words each. The candidates are required to attempt any 9 short answer type questions carrying 18 marks, i.e., 2 marks of each. Rest of the paper shall contain 4 units. Each unit shall have two essay type questions, and the candidates shall be given internal choice of attempting one question from each unit – 4 in all. Each question will carry 18 marks.

#### UNIT-I

**Introduction to Public Finance:** Nature, Scope and its Importance.

**Public Expenditure:** Canons, Principle of Maximum Social Advantage, Wäagner's Law, Wiseman Peacock Hypothesis. Causes for the Recent Growth of Public Expenditure in India.

**Taxation:** Classification and Canons, Characteristics of a Good Tax System.

#### UNIT-II

**Incidence and Impact of Taxation:** Demand and Supply Theory.

**Taxable Capacity:** Absolute and Relative Capacity, Determinants of Taxable Capacity.

**Public Debt:** Its Types and Role, Burden of Debt and Methods of its Redemption.

**Deficit Financing:** Objectives and Limitations.

#### UNIT-III

**Pure Theory of International Trade:** Classical and Heckscher–Ohlin Theories; The Theory of Reciprocal Demand.

**Terms of Trade:** Concept and Types.

**Commercial Policy:** Free Trade Vs. Protection, Regional Blocks: ASEAN, SAFTA: Problems and Prospects. Impact of W.T.O. on Less Developed Countries.

#### UNIT-IV

**Balance of Payments:** Meaning, Concept and Components of Balance of Payments. Disequilibrium in the Balance of Payments: Causes and Measures to Correct the Disequilibrium.

**Exchange Rate:** Meaning and its Determination, Fixed Vs. Flexible Rate of Exchange and Purchasing Power Parity Theory.

**IMF and IBRD:** Objectives, Working and Achievements.