

## PAPER-II

### MONEY, BANKING AND PUBLIC FINANCE

#### Unit I

Money - meaning, functions and classification; Fisher's law; Role of money in capitalist, socialist and mixed economies; main components of money supply, concept of money multiplier.

#### Unit II

Quantity theory of money - Cash transaction and cash balance approaches, The Keynesian approach to inflation, deflation and reflation - definition, types and effects of inflation on different sectors of the economy; Demand pull and cost-push inflation; Measures to control inflation; Trade-off between inflation and unemployment (Philip curve).

#### Unit III

Commercial banks - Meaning, types and functions, The process of credit creation, limitations to credit expansion, liabilities and assets of banks.

Functions of central bank, quantitative and qualitative methods of credit control - bank rate policy, open market operations, variable reserve ratio and selective methods; Role and functions of the Reserve Bank of India; Objectives and limitations of monetary policy with special reference to India.

#### Unit IV

Public finance - Meaning and Scope, Distinction between private and public finance. Public goods v/s private goods; The Principle of maximum social advantage, Role of the government. Meaning classification and principles of public expenditure. Canons and effects of public expenditure.

#### Unit V

Sources of public revenue; Taxation; Meaning, canons and classification of taxes; Division of tax burden - The benefit and ability to pay approaches; Impact and incidence of taxes. Taxable capacity; Effects of taxation; Characteristics of a good tax system. Sources of public borrowing; Effects of public debt; Methods of debt redemption, Basic concept and components of union budget.

#### BASIC READING LIST

- > Ackley, G. (1978). *Macroeconomics : Theory and Policy*, Macmillan Publishing Co., New York.
- > Bhargava, R.N. (1971). *The Theory and Working of Union Finance in India*, Chaitanya Publishing House, Allahbad.
- > Gupta, S.B. (1994). *Monetary Economics*, S. Chand & Company, New Delhi.
- > Houghton, E.W. (Ed.) (1988). *Public Finance*, Penguin, Baltimore.
- > Jha, R. (1998). *Modern Public Economics*. Routledge, London.