

151. ECONOMICS

MICRO ECONOMICS

Indifference curve analysis, Revealed Preference theory, Compensated Demand curve, Consumer's surplus, Inter temporal consumption, Consumer choice involving risk, Neumann-Morgenstern theory, Savage-Friedman Hypothesis, Gambling and Insurance.

Production function – Law of Variable Proportions, Isoquant production function, Returns to scale, elasticity of substitution, Cobb-Douglas production function, CES and VES. Technical progress – and factor shares. Derivation of

Cost curves from production function. Derived demand for factors (Marginal Productivity theory).

Perfect competition – market period, short and long run equilibrium of firm and industry, Monopoly – short and long run equilibrium, Price discrimination, monopoly control and regulation. Monopolistic competition, Oligopoly and Duopoly.

Baumol's sales maximisation model, Williamson's model of managerial discretion, Marris model of managerial enterprise, Full cost pricing, Bain's limit pricing, Sylos-Labini and Modigliani's behavioural models.

Pigovian welfare Economics. Pareto optimality conditions, Value judgement, social welfare functions, Compensation principle, market failure.

BASIC READING LIST

1. Koutsoyiannis, A: *Modern Microeconomics*, Macmillan
2. Ahuja: *Advanced Economic Theory*,
3. Pindyck, R.S. and D.L.Rubinfeld: *Microeconomics*, Pearson Educational
4. Crystal, R. and A. Lipsey: *Microeconomics*, Oxford University Press.
5. Varian, H.R.: *Intermediate Microeconomics*, W.W. Norton & Co
6. Krugman, Paul Wells, Robin *Microeconomics*, Worth Publishers W H FREEMAN & CO
7. Cowell F.A.: *Microeconomics Principles and Analysis* Oxford University Press

MACRO ECONOMICS ANALYSIS

Different Methods of National Income accounting – Social accounting, Input – output accountancy, flow of funds accountancy and balance of payments accounting. Consumption function, Keynes psychological law of consumption, implication of the law, short run and long run consumption function Empirical evidence on consumption function, income consumption relationship – absolute income and relative income, permanent and life cycle income hypotheses and their reconciliation.

The profits and accelerator theories and investment behavior – influence of policy measures on investment, Financial theories of investment and institutions, capital market in India. Growth and Development of capital market – primary and secondary markets, regulation of capital market and functioning. Measures of money supply; Theories of money supply; A demand determined money supply process. RBI approach to money supply: high powered money and money multiplier, budget deficits and money supply and control of money supply Analysis and variations in money supply in India, monetary transmission mechanism and monetary transmission mechanism in India.

Theories of demand for money – classical approach to demand for money – quantity theory approach, Fishers equation, Cambridge quantity theory Keynes liquidity preference approach, transaction, precautionary and speculative demand for money, aggregate demand for money, derivation of LM curve

Demand for money in India. Post Keynesian approaches to demand for money – Patinkin and the real balances effect, approaches of Baumol and Tobin. Crisis in Keynesian economics and the revival of monetarism – Friedman and the modern quantity theory of money – Friedman Restatement of quantity of money and its critical appraisal. Neo Classical and Keynesian views on interest: The IS – LM Model Extension of IS – LM model with government sector, Relative effectiveness of monetary and fiscal policies; IS-LM model in open economy.

Monetary approach to balance of payments, capital flows with fixed exchange rate, trade and capital flows with flexible exchange rate and critical look at IS – LM model

Classical, Keynesian and Monetarist approaches to inflation; Structuralist theory of inflation; Phillips curve analysis – short run and long run Phillips curve; the natural rate of unemployment hypothesis; Tobin's modified Phillips curve; policies to control inflation.

Business cycles – theories of Schumpeter, Samuelson and Hicks – interaction of multiplier and acceleration model; Relative efficacy of monetary and fiscal policy in controlling business cycle. The new classical macroeconomic approach; policy implications of new classical approach. Role of expectations in macroeconomic analysis – Adaptive expectations Rational expectations theory. Supply side economics assumptions and evaluation Rational expectations theory. Macro stabilization policies and financial sector reforms in India.

BASIC READING LIST

- Rinerm D.L. (1996), *Advanced Macroeconomics*, McGraw Hill Company Limited, New York.
- Scarfe, B.L. (1977), *Cycles, Growth and Inflation*, McGraw Hill, New York.
- Shapiro, E. (1996), *Macroeconomic Analysis*, Galgotia Publications, New Delhi.
- Surrey, M.J.C. (Ed) (1976), *Macroeconomic Themes*, Oxford University Press, Oxford.
- Edey, M and A.T. Peacock (1967), *National Income and Social Accounts*, Hutchinson University Library, London.
- Powelson, J.P. (1960), *National Income and Flow of Funds Analysis*, McGraw Hill, New York.
- Rao, V.K.R.V. (1983), *India's National Income: 1950 to 1980*, Sage Publications, New Delhi.
- Ruggles, R. and N. Ruggles (1956), *National Income Accounts and Income Analysis*, McGraw Hill, New York.
- United Nations (1974), *Year Book of National Account Statistics*.
- Duesenberry, J.S (1949), *Income, Saving and the Theory of Consumer Behaviour*. Harvard University Press, Harvard.
- Friedman, M. (1957), *The Theory of Consumption Function*,
- Princeton University Press, Princeton.
- Keynes, J.M. (1936), *The General Theory of Employment, Interest and Money*, Macmillan, London.
- Mueller, M.G. (1966), *Readings in Macroeconomics*, Holt Rinehart and Winston, New York.
- Gordon, R. and S.G. Harris (1998), *Macroeconomics*, Addison Wesley.
- Culbertson, J.M. (1968), *Macroeconomic Theory and Stabilization Policy*, McGraw Hill, Kogekosh, Tokyo.
- Chakravarty, S.C. (1985), *Report of the Committee to Review the Working of the Monetary System*, Reserve Bank of India, Bombay.
- Gupta, S.B. (1995), *Monetary Planning in India*, Oxford University Press, New Delhi.
- Gurley, J. and E.S. Shaw (1960), *Money in a Theory of Finance*, Brookings Institution, Washington.
- Mckinen, G.E. (1978), *Money, The Price Level and Interest Rates*, Prentice Hall of India, New Delhi.
- Reddy, Y.V. (2000), *A Review of Monetary and Financial Sector Reforms in India – A Central Banker's Perspective*, UBSPD, New Delhi.
- Fredman, M. (1956), *Studies in the Quantity Theory of Money*, The University of Chicago Press, Chicago.
- Keynes, J.M. (1936), *The General Theory of Employment, Interest and Money*, Macmillan, London.
- Laidler, D.E.W. (1977), *Demand for Money: Theory and Evidence*, Dum-Don Valley, New York.
- Mckinen, G.E. (1978), *Money, The Price Level and Interest Rates*, Prentice Hall of India, New Delhi.
- Leijonhufvud, A. (1968), *On Keynesian Economics and Economics of Keynes*, Oxford University Press, London.
- Levacic, R. and Rebman (1986), *Macroeconomics : An Introduction to Keynesian and Neo-classical Controversies*, Macmillan, London.
- Mankiw, N.G. and D. Romer (Eds.) (1991), *New Keynesian Economics*, (2 Vols.), MIT Press, Cambridge.
- Rakshit, M. (1998), *Studies in the Microeconomics of Developing Countries*, Oxford University Press, New Delhi.

QUANTITATIVE METHODS

Uses and limitations of Mathematics in Economics, Concept of Function and types of functions, Concept of derivative, Rules of differentiation, Interpretation of revenue, cost, demand, supply functions. Elasticities and their types. Multivariable functions, Rules of partial differentiation and interpretation of partial derivatives, Problems of maxima and minima in single and multivariable functions. Constrained optimization, Lagrangian function, simple economic applications - maximization of utility and maximization of profits. Introduction to linear programming, formulation of linear programming problem — its structure and variables, Nature of feasible, basic, optimal solution, Solution of linear programming through graphic method, Concept of duality.

Determinants and their Basic Properties, Solution of simultaneous equations through Cramer's rule, Matrices — Concept and types, Simple operation on matrices, matrix inversion, rank of matrix, Introduction to input output analysis.

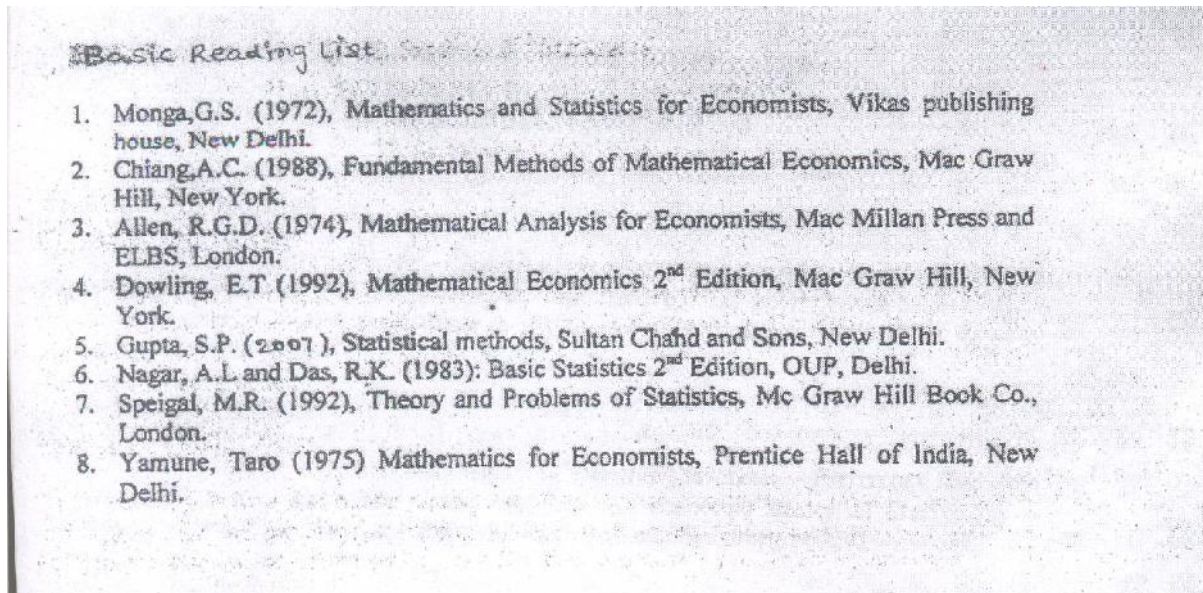
Definition of Statistics, Uses and limitations of Statistics in Economics, Methods of collecting data - census and sampling — their advantages and disadvantages, Measures of Central tendency — mean, median and mode, Measures of Dispersion — range, quartile deviation, mean deviation, standard deviation, variance, coefficient of variation, Gini coefficient.

Concept of correlation, Karl Pearson's Coefficient of correlation, Spearman's rank coefficient of correlation. Simple regression, Estimation of regression coefficients by ordinary least square methods, standard error of regression line.

Time-series analysis, components of time-series data, determination of secular trend by moving average and ordinary least square methods, Uses of seasonal indices, Estimation of linear and compound growth rate using OLS method. Methods of constructing

Index numbers and their uses, weighted and unweighted indices, Laspeyer's, Pasche's and Fisher's indices, Cost of living index numbers.

Basic concept of sampling - random and non-random sampling, simple random, stratified random and P.P.S. sampling, Concept of probability, Classical and empirical definitions of probability, laws of addition and multiplication, discrete random variable — its concept, mean and variance, Normal distribution — its concept and properties. Concept of an estimator and its sampling distribution, Desirable properties of a good estimator, formulation of statistical hypotheses — null and alternative, Testing for mean of a population from large sample and Testing for difference between means of two population from large sample.



PUBLIC ECONOMICS

Changing role of State in a Mixed Economy; Multiple theory of Public Household; Public and Private goods – Market mechanism in Public and Private Goods; Public Choice- Private and Public Mechanism of Allocation Resources – Preference Revelation and aggregation of Preferences; Voting systems; Rationale of Public Policy; Allocation of Resources for Public goods – Voluntary Exchange Models; Impossibility of Decentralized provision of Public goods; Demand revealing schemes for Public goods – Stabilisation policy – Keynesian Case for Stabilisation policy.

Theories of public expenditure, Wagner's Law of increasing State activities – Peacock – Wisemans hypothesis – Principle of Maximum Social Advantage; Growth and pattern of Public Expenditure, Effects of Public Expenditure; Approaches to Taxation – Benefit Approach, Ability to Pay Approach and Neutrality Approach – Elasticity and Buoyancy of Taxation – Incidence and Shifting of Taxation; VAT.

Compensatory aspect of debt policy and sources of public debt – Classification of public debt, Management of public debt – burden of public debt and Burden of public debt on future generations -and Debt Trap – and Redemption of public debt – Internal and External.

Fiscal Policy and Full Employments, Anti – Inflationary Fiscal Policy; Fiscal Polices for redistribution of income and wealth; Fiscal Policy for stabilization – Fiscal policy and Monetary Policy – Mobilization of Financial resources – Alternative fiscal policies and impact on growth, distribution and prices – Fiscal policies in a developing country.

Federal Financial structure and its main features; Centre – State financial relations- Transfer of resources from Union to States and Local Bodies.

Concepts of Budget deficit and their implications – State and Central Budgets. Indian Tax System – Trends in major taxes in India – Reforms in direct and indirect taxes, taxes on services and Non tax revenues of Centre, State and Local Bodies. Trends in public expenditure and public debt. Fiscal crisis and Fiscal sector reforms in India; Reports on Finance Commissions in India.

BASIC READING LIST

- Atkinson, A B and J.E Sigitz (1980), Lecturers on Public Economics, Tata McGraw Hill, New York.
- Auerbach, A J and M. Feldson (Eds.) (1985), Handbook of Public Economics, Vol. 1, North Holland, Amsterdam.
- Buchanan, J M (1970), The Public Finances, Richard D Irwin, Homewood.
- Goode, R (1986), Government Finance in Developing Countries, Tata McGraw Hill, New Delhi.
- Houghton, J M (1970) The Public Finance: Selected Readings, Penguin, Harmondsworth.
- Jha, R (1998), Modern Public Economics, Routledge, London.
- Menutt, P (1996), The Economics of Public Choice, Edward Elgar, U.K.
- Musgrave, R.A (1959), The Theory of Public Finance, McGraw Hill, Kogakusha, Tokyo.
- Musgrave, R A and P.B. Musgrave (1976), Public Finance in Theory and Practice, McGraw Hill, Kogakusha, Tokyo.
- Shoup, C S (1970), Public Finance, Aldine, Chicago.
- Shome, P (Ed.) (1985), Tax Policy: Handbook, Tax Division, Fiscal Affairs Department, International Monetary Fund, Washington D.C.

INTERNATIONAL TRADE AND FINANCE

The Pure theory of International Trade – Theories of absolute advantage, comparative advantage and opportunity costs; Theorem of factor price equalization; - Heckscher – Ohlin theory of trade. Role of dynamic factors, i.e changes in tastes, technology and factor endowments in explaining the emergence of trade; The Rybczynski theorem – Concept and policy implications of immiserizing growth; Causes of emergence and measurement of intra-industry trade and its impact on developing economies.

Measurement of gains from trade and their distributions; Concepts of terms of trade. Hypothesis of secular deterioration of terms of trade, its empirical relevance and policy implications for less developed countries; Trade as an engine of economic growth; The Theory of Interventions (Tariffs, Quota and non – tariff barriers); Economic effects of tariffs and quotas; The political economy of non-tariff barriers and the implications; nominal, effective and optimum rates of tariffs – their measurement, impact and welfare implications; Trade under imperfectly competitive market.

Meaning and components of balance of payments; Equilibrium and disequilibrium in the balance of payments; The process of adjustment under systems of gold standard, fixed exchange rates and flexible exchange rates; Expenditure – reducing and expenditure – switching policies and direct controls for adjustment; Policies for achieving internal and external equilibrium simultaneously under alternative exchange rate regimes. A critical review of the monetary approach to the theory of balance of payments adjustment; Foreign trade multiplier with and without foreign repercussions and determination of national income and output; Relative merits and demerits of fixed and flexible exchange rate in the context of growth and development in developing countries.

Forms of economic cooperation: Reforms for the emergence of trading blocks at the global level; Static and Dynamic effects of a customs union and free trade areas; Rationale and economic progress of SAARC/SAPTA and ASEAN regions. Problems and prospects of forming a customs union in the Asian

region. Regionalism (EU, NAFTA); Multilateralism and WTO; Rise and fall of Gold Standard and Bretton-woods system. International Monetary System, India and developing countries; Theory of short-term capital movements and East – Asian Crisis and lessons for developing countries; International trade and financial institutions – Functions of WTO (TRIPS, TRIMS) UNCTAD, IMF, World Bank and Asian Development Bank.

Trade problems and trade policies in India during the last five decades; Recent changes in the direction and composition of trade and their implications; Impact of trade reforms since 1991 on balance of payments and growth; Problems of India's International debt; Working and regulations of MNCs in India; Instruments of export promotion and recent import and export policies.

BASIC READING LIST

- Bhagwati, J. (Ed.) (1981), International Trade, Selected Readings, Cambridge, University Press, Massachusetts.
- Carbough, R.J. (1999), International Economics, International Thompson Publishing, New York.
- Chacholiades, M. (1990), International Trade : Theory and Policy, McGraw Hill, Kogakusha, Japan.
- Dana, M.S. (2000), International Economics : Study, Guide and Work Book, (5th Edition). Routledge Publishers, London.
- Dunn, R.M. and J.H. Mutti (2000), International Economics, Routledge, London.
- Kenen, P.B. (1994), The International Economy, Cambridge University Press London.
- Kindleberger, C.P. (1973), International Economics, R.D. Irwin, Homewood.
- King, P.G. (1995), International Economics and International Economic Policy : A Reader, McGraw Hill International, Singapore.
- Krugman, P.R. and M. Obstfeld (1994), International Economics : Theory and Policy, Glenview, Foresman.
- Sodersten, Bo International Economics.
- Salvatore, International Economics, Schaun Series.

ECONOMICS OF GROWTH AND DEVELOPMENT

Adam Smith, David Richardo, Malthus, Karl Marx and Josphe Schumpeter. R.F. Harrod and E. Domar, Joan Robinson, Kaldor, Solow, Romer's Endogenous Growth model, Role of Technical Progress in Economic Growth – Hicks and Harrod.

Rosenstein Rodan, W.A. Lewis, Fei-Ranis Dual Economy Model, Raul Prebisch, W. Rostow's stages of economic Development. The Role or International Trade in economic development in the context of globalisation process. Static and Dynamic gains from trade. Export-led growth, growth led exports, dual gap analysis.

Balanced and unbalanced growth strategies, wage good strategy of Vakil and Brahmananada. Gautam Mathur's strategies of economic development. Export promotion and import substitution policies. Role of

Agriculture in economic development. Efficiency and productivity in agriculture, New technology and sustainable agricultural development, globalization and agriculture growth. Food security, Rationale and pattern of industrialization in developing countries. Inter-relationship between agriculture and industry, implication for development.

Types of planning- Indicative, Micro and Macro level planning, shadow pricing, input-output analysis, cost benefit analysis, Indian plan models – Mahalanobis, Raj-Sen and Chakravarty Models. Investment criteria – Choice of Goods and Techniques, Investment criteria in developing countries, Present v/s Future, Alternative Investment criteria.

The Role of monetary and fiscal policies in Economic Development. Trade Policies, technology policy, policy on financial structure – internal and external resources – implications for development. Policy of host countries towards activities of MNC's in developing countries. Economic Development and institutions – education, health and nutrition, markets, state. Population and human resource development. Human development index and physical quality of life index.

Basic Reading List:

A K Sen (Ed): Growth Economics, Penguin Books, Harmondsworth, 1st Ed., 1970

A K Sen (Ed): Choice of Techniques, Oxford University Press

Thirlwall, A.P : Economic Development Growth & Development, 1999. Macmillan Press Ltd., Houndmills.

A Rudra: Indian Plan Models, Allied Publishers, Bombay, 1st Ed., 1975.

Adelman, I : Theories of Economic Growth and Development, Stanford University Press, Stanford.

Behrman, S., and T.N. Srinivasan: Handbook of development Economics, Vol. 1 to 3, Elsevire, Amsterdam.

C D Wadhwa: Some problems of India's Economic Policy, Tata Mc Graw Hill, New Delhi, 2nd Ed., 1985.

Chakravarty and Bhagawathi: Contributions to Indian Economic Analysis, A Survey, Lalvani Publishing House, Bombay,

Diana Hunt: Economic Theories of Development

F J Khan and R C C Mathews: Survey's in Economic Theory, Vol. 2, Macmillan, London, 2nd Ed., 1965.

G Meier: Leading issues in Economic Development, Oxford University Press, New York, 7th Ed., 2000

G Myrdal: Asian Drama, Vol. III, Appendices I and II, Penguin, London, 1st Ed., 1968.

Gautam Mathur: Planning for Steady Growth, Oxford University Press, Bombay, 1st Ed., 1965

Gautam Mathur: Relevance of Growth Model, World Development, 1978.

Ghosh and Ghosh: Planning Techniques and Indian Plans, A.H. Wheeler & Co., Allahabad, 1st Ed., 1983

Hayami, Y. Development Economics, Oxford University Press, New Delhi, 2nd Ed., 2003

Hymel G. Jones: An introduction to Modern Theories of Economic Growth, Mc. Graw Hill, New York, 1st Ed., 1976.

M P Todaro: Development Planning Models and Methods, Oxford University Press, Nairobi, 1st 1983

Myint, Hla: The Economics of Underdeveloped Countries, Preager. Survey's in Economic Theory, Vol. 2, Macmillian, London, 2nd Ed., 1965.

INDIAN ECONOMIC POLICY

Indian Economy during British rule, Commercialisation of Agriculture, Process of Industrialisation, Composition of foreign Trade, GNP and Occupation. Trends in National Income, Growth and structure and changes there in, Physical Quality of Life Index (PQLI), Human Development Index (HDI), Problems of Regional Development, Balanced Regional Development and Regional Inequalities.

Agricultural Sector – Institutional structure, Land reforms in India, Technological change, Pricing policy of agricultural products, Terms of trade between agriculture and industry, Agricultural Finance, Agricultural marketing, Issues in food security. Industrial Sector – Industrial policy – Public Sector and its performance, Problems of Industrial Sickness; Growth and pattern of Industrialisation, Small Scale Sector; Privatisation, Disinvestment and Exit policy.

Nature and Magnitude of workforce, Problem of unemployment, unlimited supply of labour, Human capital inequalities in income and poverty. Planning in India – Objectives and Strategy of planning, Achievements and failures of Plans, Over – view of Indian Economy, Liberalisation policy, Changing role of State, Role of Private Sector in Indian Economy and Problems, National Agenda for good Governance.

Fiscal Federalism – Central – State Financial Relations, Finances of Central Government; finances of State Governments, Parallel Economy, Fiscal Sector Reforms in India. Money, Banking and Prices – Analysis of Price Behaviour in India, Financial Sector Reforms; Interest Rate Policy, Monetary and Credit Policy of RBI, Money and Capital Markets, Working of SEBI in India.

External Sector – Structure and Direction of foreign trade, Balance of payments, Issues in Export – Import policy and Foreign Exchange and Management Act (FEMA), Exchange rate policy, Foreign Capital and MNCs in India, Trade Reforms in India. Economic Reforms – Globalisation of Indian Economy – WTO and its impact.

Basic Reading List:

1. Ugalia, I. J. and I.M.D. Little (1st Edn.) (1999) India's Economic Reforms and Development (Essays in honour of Manmohan Singh), Oxford University Press, New Delhi.
2. Bardhan, P.K. (5th Edn) (2004), The political Economy of Development in India, Oxford University Press, New Delhi.
3. Bawa, R.S. and P.S. Raikhy (Edn.) (1997) Structural Changes in Indian Economy, Guru Nanak Dev, University Press, Amritsar.
4. Brahmananda, P.R. and V.R. Panchamukhi (Edn.) (2001), Development Experience in the Indian Economy: Inter-State Perspectives, Bookwell Publishers, Delhi.
5. Chakravarty, S (1st Edn.) (1993), Development Planning: The Indian Experience, Oxford University Press, New Delhi.
6. Dantwala, M.L. (1st Edn.) (1986) : Dilemmas of Growth: The Indian Experience, Sage Publications, New Delhi.
7. Rudrar Dutt and Sundharam, K.P.M. (2009), Indian Economy, S. Chand & Co. New Delhi.
8. Misra and Puri (2009), Indian Economy, Himalaya Publishing House, Mumbai.