

Syllabus for MA Programme in Economics

THIRD SEMESTER

Paper Code	Paper Title
ECO901C	Development Economics-I (C)
ECO902C	Economics of the Public Sector (C)
ECO903C	International Economics (C)
ECO904E	Econometric Methods (E)
ECO905E	Financial Economics (E)
ECO906E	Population Studies (E)
ECO907E	Industrial Economics(E)
ECO908E	Introduction to Agricultural Economics (E)

*C = core papers; E = Elective Papers. Elective papers are offered subject to availability of required teachers in the department.

Paper: ECO901C - Development Economics-I (C)

Unit–1: Development and its Measurement (10)

Approaches to development: traditional and modern, capability approach; three core values: basic needs, living standards and choice; UNDP measures of development–HDI, IAHDI, GDI,GII,MPI; the millennium development goals

Unit–2: Economic growth (12)

Harrod-Domar model and developing economies; the neo-colonial dependence model; the false paradigm model; Dualism: process and causation; the dualistic development theories: Lewis, Harris-Todaro, Fei-Ranis model, views of Kaldor. Neoclassical growth theory: the Solow model and its predictions; the endogenous growth theory and convergence debate; Technical progress: the model of deliberate technical progress, measurement of technical progress–the total factor productivity.

Unit–3: Development Strategies (12)

Big Push: Rosenstein-Rodan; Balanced Growth: Nurkse; Unbalanced Growth: Hirschman; Critical Minimum Efforts: Leibenstein; Kremer's O-Ring model of development

Unit-4: Poverty and Inequality (15)

Measurement of poverty; the functional impact of poverty; mechanisms that generate poverty traps and path dependence of growth processes.

Inequality: concept; measurement: criteria and various inequality measures; Inequality and Growth-the inverted U-hypothesis and its tests

Unit–5: Development policymaking (15)

Rationale for Planning in a Developing Economy and the planning mystique; the planning process: aggregate growth models-projecting macro variables; input-output model; project appraisal and social cost-benefit analysis; problem of plan implementation and plan failure; government failure and reorientation towards market economy

Market fundamentalism: challenging the statist model-free markets-public choice-market friendly approaches;

Trends in governance and reform: tackling the problem of corruption decentralization, and development participation (may be discussed with special reference to case studies)

Recommended Readings:

- Barro & Salai-Martin, "Economic Growth", Prentice Hall of India
- Basu, K., "Analytical Development Economics:", OUP
- Meier, G.M., "Leading Issues in Economic Development", OUP
- Ray, D., "Development Economics", OUP.
- Thirlwal, A.P. "Growth and Development" Palgrave
- Todaro, M.P., "Development Economics", Pearson.
- UNDP, "Human Development Reports", OUP.
- World Bank, "World Development Reports", OUP

Paper: ECO902C - Economics of the Public Sector (C)

Unit-1: Equity and Efficiency Principles (10)

Pareto efficiency versus alternative criteria: Equity and efficiency; defining a social welfare function, alternative theories of the role of the state; Vertical and horizontal equity; the fundamental theorems of welfare economics. Sources of market failure: the theory of externalities; private bargaining solutions versus government intervention, the Coase theorem. The theory of public goods: efficiency conditions for public goods: Lindahl equilibrium, the second-best principle.

Unit-2: Public Choice (15)

Public mechanisms for allocating resources: problems of eliciting preferences and reconciling differing views. Majority voting: the median voter theory and the voting paradox. Arrow's Impossibility Theorem. Special interest groups: Rent-seeking behaviour, Theory of bureaucracy. The "Principal-agent" problem; government failure

Unit-3: Taxation (12)

Tax incidence in competitive and monopolized markets: deadweight loss and price elasticity; Equivalent taxes. Taxation and economic efficiency; Taxation of products, taxes and labour supply, taxes and the individual budget constraint; income and substitution effects; non-linearity due to progressive taxation. Taxation of capital: taxes and savings; different models of savings; national savings versus personal savings; Impact on risk taking. Taxes and investment: domestic and international issues, achieving tax neutrality; effects of globalization.

Unit-4: The Analysis of Expenditure Policy (12)

Alternative forms of government intervention: benefits in cash and in kind, interdependent preferences. Private sector responses to government programs: Income and substitution effects. Distributional consequences: The poverty trap. The role of social insurance; case for unemployment insurance, healthcare, retirement pensions: funded and "pay-as-you-go"; efficiency effects on savings and retirement

decisions. Approaches to income support. Welfare programs: targeting and incentives, Means-testing and self-targeting. The contributory principle: Integrating taxes and benefits.

Unit-5: Cost-Benefit Analysis (15)

Private cost-benefit analysis: NPV and IRR methods. Social cost-benefit analysis: Measuring non-monetized costs and benefits; shadow prices and market prices, the problem of choosing an appropriate discount rate for social cost-benefit analysis; The evaluation of risk.

Recommended Readings:

- Atkinson ,A. and Stiglitz, *Lectures in Public Economics*, McGraw–Hill,
- Connolly, S. and A. Munro, *Economics of the Public Sector*, Prentice Hall Europe.
- Stiglitz,J. *Economics of the public Sector*,
- Auerbach and M. Feldstein, *Handbook of Public economics*, Vol.1–2.North-Holland, 1990.
- Barr, N. *The Economics of the Welfare State*, Oxford University Press,
- Hyman, *Public Finance: A Contemporary Application of Theory to Policy*.
- Musgrave, R. and P. Musgrave, *Public Finance in Theory and Practice*; McGraw–Hill, 1989.
- Rosen, H. *Public Finance*, Irwin.

Paper: ECO903C - International Economics (C)

Unit 1: Economies of scale, Imperfect competition, and International Trade (12)

Monopolistic competition and trade: effects of increased market size, gains from integrated market, economies of scale and comparative advantage, the significance of intra-industry trade; External Economies and international trade: External economies and patterns of trade, trade and welfare with external economies, dynamic increasing returns

Unit 2: Economic Growth and International Trade (12)

Effects of Growth on Trade– Growth, Trade and National Income–Trade and Technical Progress–Terms of Trade Effects-Prebisch-Singer Thesis on Terms of trade

Unit 3: International Trade Policy (12)

Types of Tariff–Partial Equilibrium Analysis of Tariff–General Equilibrium Analysis (Small Country Case)–Tariff and World Welfare–Tariff and Income Distribution–Effective Protection–Economic and Non-economic Arguments for Protection Instruments of Commercial Policy: Export Tax and Subsidy – Quantitative Restrictions–International Cartels–Dumping–Other Non Tariff Barriers

Unit 4: Regional Economic Integration (12)

Preferential Trading Club- Free Trade Area–Customs Union–Common Market–Economic Union–Trade Creation and Diversion-Dynamic Effects of Customs

Unit 5: The International Monetary System (12)

Types–Characteristics of a Good IMS–the Gold Standard–Inter-War Period–The Britton Woods System–Present System of Managed Flexibility

Recommended Readings:

- Chacholiades, M., *International Trade: Theory and Policy*, McGraw Hill.
- Soderston, B., *International Economics*, Tata McGraw Hill
- Bo Sodersten and Geoffrey Reed, *International Economics*, Macmillan Press Ltd
- Paul Krugman and Maurice Obstfeld, 'International Economics-Theory and Policy', Pearson Education, 2009

ELECTIVE COURSES:

Paper: ECO904E - Econometric Methods (E)

Unit1: Generalized Least Squares and Maximum Likelihood Estimation (12)

Non-spherical Disturbance and GLS–Feasible GLS and its Properties, Seemingly Unrelated Regression, Estimation;. Maximum Likelihood Methods, Estimation and Properties–Likelihood Ratio, Wald and Scope Tests

Unit–2:Non-Linear Estimation (10)

Non-Linear Least Squares and Iteration process–Models with Binary Dependents

Variables–Logit and Probit Models

Unit–3: Distributed Lag Models (8)

Lag Structure and Parameters–Koyck Model–Partial Adjustment and Adaptive

Expectation Models–Estimation of Models with a Lagged Dependent Variable

Unit–4: Simultaneous Equation Models (15)

Formalization of Identification Problem-Order and Rank Conditions of Identification

–Recursive Models–Methods of Estimation: IV, 2SLS,3SLS and FIML–Simulation and Forecasting

Unit5: Time Series Modeling (12)

Univariate Time Series Modeling,-Autocorrelation Function and Correlelogram – Basic Features of AR,MA,ARMA and ARIMA models–Trend versus Difference Stationary - Co-integration, Error Correction Mechanism and ARDL Granger Causality and VAR.

Unit 6: Introduction to Panel Data (6)

Nature and Advantages of Panel Data – Modeling Issues: Fixed Effect versus Random Effects– Housman Test–Estimation methods

Recommended Readings:

- Johnston and Dinardo, *Econometric Methods*, McGraw Hill
- Pindyck and Rubinfeld, *Econometric Models and Econometric Forecasts*, McGraw Hill.
- Greene, William, *Econometric Analysis*, Macmillan
- Christopher Daugherty, *Introduction to Econometrics*, OUP
- Damodar Gujarathi, *Basic Econometrics*, McGraw Hill.
- Jeffery M Wooldridge, *Introductory Econometrics: A Modern Approach*

Paper: ECO905E- Financial Economics (E)

Unit-1: Financial Intermediaries and Risk: (15)

Common characteristics of financial institutions (FIs), Services provided by the FIs, Types of risks managed by FIs, principal assets and liabilities of major FIs

Unit-2: Financial Innovation: (15)

Meaning, factors behind financial innovation, analytical foundations of financial innovation, early financial innovations, innovations in the payment system, derivatives: forward, futures, and option agreements; swap agreements, credit derivatives, securitization; the financial system of the future

Unit-3: Financial Instability and Strains on the Financial System (15)

Financial intermediation, risk, and financial crisis; the problem of moral hazard in financial intermediation; the Great financial meltdown of 2008; Minsky's hypothesis of financial instability, other areas of concern

Unit-4: The International Financial System (15)

The foreign exchange market, managing exchange rate risk under the managed float, the role of US dollar under the managed float; Major International Financial Organizations: IMF, World Bank, the Bank for International Settlements (BIS); Road to international financial stability.

Recommended Readings:

- Baye, R. Michael & Jonson, W. Bennis, "Money, Banking and Financial Market-An Economic Approach", AITBS Publishers
- Pathak, Barati, B., "Indian Financial System", Pearson Publication.

- Chandler, V.L., “The Economics of Money and Banking”
- Gupta, S.B., “Monetary Economics: Institutions, Theory and policy”
- Maureen Burton and Bruce Brown, ‘The Financial System and the Economy.
- Principles of Money and Banking’, Fifth Edition, PHI Learning Private Limited,2009

Paper: ECO906E - Population Studies (E)

Unit1: Introduction to Population studies (15)

Population: Meaning, scope and importance. Population study and Demography; Sources of Population Data; Importance and Limitations of population data; Population growth in India: impact of demographic processes and problems. Population and development-general issues

Unit 2: Vital Rates and Life Tables (15)

Measures of fertility and mortality; Infant Mortality rates: alternative measure; Life table- concept, types and relationship different life table functions. Central Mortality Rate

Unit3: India’s Population (15)

Characteristics of Indian Population as revealed by latest census; a comparative analysis of Indian population census of 2001 and2011

Unit4:.Economics of health and education (15)

Population and efficiency in utilization of resources: Impact on health and education; Education and the quality of population; Human capital: concepts, earnings and education; Education and Labour market. Limits to growth; Social security-Population, development, environment and gender sensitization. Further issues relating to gender - gender budgeting, health and education

Recommended Readings:

- Bhende and Kanitkar, *Population Studies*
- Ramakumar, R., *Technical Demography*
- Pathak,K. B.& Ram, F., *Techniques of Demographic Analysis.*
- Psacharopolous, G., *Economics of Education, Research and Studies.*
- Census of India, Population Census, 2001, 2011.
- Todaro, M.P. *Development Economics*

Paper: ECO907E - Industrial Economics (E)

Unit-1: Theory of the firm Size and structure of firms (10)

The technological view of the firm; the transaction costs-property rights approach, investment specificity, incomplete contracts and vertical integration, empirical evidence; Separation of ownership and control; managerial incentives, the limits to managerial discretion, foundations of the profit-maximization hypothesis.

Unit-2: Firm conduct and market structure: Short-run price competition: 15

The Bertrand model: Bertrand competition with capacity constraints; the Cournot model. **Dynamic price competition:** repeated interaction, collusion and cartel stability, theories of price wars, empirical analysis of market power and collusive behaviour.

Unit-3: Entry deterrence and entry accommodation (12)

First-mover advantages and the value of irreversible decisions; strategies to deter entry, strategic substitutability vs. complementarity, a taxonomy of business strategies, predation

Unit-4: Product differentiation, non-price competition (12)

Horizontal product differentiation, brand proliferation and entry deterrence, **Vertical Product Differentiation:** markets with asymmetric information. Price discrimination

Unit-5: Competition policy and regulation (15)

Competition policy in India and the USA, current issues in competition policy, industrial policy towards R&D. **Regulation:** Regulation of firms with market power under symmetric information, regulation under asymmetric information, liberalisation and regulation, empirical evidence. (This last topic will go into the relevant policy measures geared to the Indian industrial establishment)

Recommended Readings:

- Church, J.R. and R. Ware. *Industrial organization: a strategic approach*, (Irwin McGraw-Hill, 2000)
- Tirole, J. *The theory of industrial organization*, Prentice Hall India Learning Private Limited; 1st Edition(2007)
- Sutton, J. *Sunk Costs and Market Structure*, MIT Press (2007)
- Cabral, L. *Introduction to industrial organization*, MIT Press (2000)
- Armstrong, M. *Regulatory Reform–Economic Analysis & British Experience(Regulation of Economic Activity)*, MIT Press (1994)
- Carlton, D.W. and J. M. Perloff. *Modern industrial organization*, fourth (international) edition Pearson, 2005
- Pepall L.,D. Richards and G. Norman, *Industrial organization: contemporary theory and empirical applications*, South-WesternPub;3rdedition(2004)
- Shy, O. *Industrial organization*.(Cambridge, MA: MIT Press, 1995)
- National Competition Policy 2011, Government of India Ministry of Corporate Affairs, http://www.mca.gov.in/Ministry/pdf/Revised_Draft_National_Competiti_on_Policy_2011_17nov2011.pdf

Paper: ECO908E- Introduction to Agricultural Economics (E)

Unit 1: Economic Growth and Agriculture (12)

Economics and Economic Growth, Definition and characteristics of Agriculture; Agricultural Economics as a Social Science; Structure of Agriculture Sectors; Inputs Used and Products of Agriculture.

Unit 2: Principles of Economics (15)

Production Principles; Production Costs, Supply and Revenue; Principles of Profit Maximization and Loss Minimization; Principles of Consumption and Demand; Price Elasticity Concepts; Principles of Market Price Determination; Competitive vs Non-Competitive Market Models.

Unit 3: Global Issues (12)

Population growth; World food production trends; trade in agricultural products; the role of agriculture in economic growth

Unit 4: Marketing Food and Agricultural Products (12)

Functional and Institutional Approaches to Marketing; Costs of Marketing Food and Agricultural Product; Operation of the Futures Markets.

Unit 5: Agricultural Problems and Policy Analysis (12)

Goals and Policies and Programs; Price and Income; Resource Use

Recommended Readings:

- Desai, P.K. , *Agricultural Economics* Biotech Books (2010)
- Cramer, Jensen, and Southgate, *Agricultural Economics and Agribusiness*, John Wiley
- Drummond and Goodwin, *Agricultural Economics*, Prentice Hall
- Penson, Capps, and Rosson, *Introduction to Agricultural Economics*, Prentice Hall
- Seitz, Nelson, Halcrow, *Economics of Resources, Agriculture and Food*,

(In this paper, reference may be made to: Natural Resources, Land Economics, Locally Grown Foods and issues related to food security and current agriculture price policy. In addition each student will have to submit a term paper on a subject drawn from either of units I, III, IV and V. This paper will be worth 1 credit)
