

Telangana University



M.A. Economics - I & II year Syllabus

V/4

2003-2004

SCHEME OF INSTRUCTION AND EXAMINATION FOR M.A. COURSE

SUBJECT - ECONOMICS

SEMESTER - I

Sl.No	Paper Code	PAPER	Instruction Hrs/week	Duration of Examination	Maximum Marks
		Theory			
1	101	Micro Economics analysis I	5	3 hrs	100
2	102	Macro Economic analysis I	5	3 hrs	100
3	103	Quantitative Methods I	5	3 hrs	100
4	104	Public Economics I	5	3 hrs	100
5	105	International Trade and Finance I	5	3 hrs	100
6		Seminar	2		
		TOTAL	25+2=27		500

SEMESTER - II

Sl.No	Paper Code	PAPER	Instruction Hrs/week	Duration of Examination	Maximum Marks
		Theory			
1	201	Micro Economics analysis II	5	3 hrs	100
2	202	Macro Economic analysis II	5	3 hrs	100
3	203	Quantitative Methods II	5	3 hrs	100
4	204	Public Economics II	5	3 hrs	100
5	205	International Trade and Finance II	5	3 hrs	100
6		Seminar	2		
		TOTAL	25+2=27		500

M.A. ECONOMICS COMPULSORY PAPER
SEMESTER -I, PAPER-I

MICRO ECONOMIC ANALYSIS - I

UNIT - I: Introduction and Basic Concepts

Basic Economic problem, Choice and scarcity; Deductive and Inductive methods of analysis; positive and normative economics. Characteristics of equilibrium.

UNIT - II: Demand analysis.

Elasticities (price, cross, income) of demand; Elasticity of supply; Theories of demand-- Utility; Indifference curve (income and substitution effects, Slutsky theorem, Compensated demand curve); Revealed preference theory; Revision of demand theory by Hicks; Consumers choice involving risk; Consumer's surplus; inter-temporal consumption; Elementary theory of price formation - demand and supply equilibrium; Cobweb Theorem.

UNIT - III: Theory production and costs

Production function-----Short period and long period; Variable proportions and returns to scale; Isoquants---Least cost combination of inputs; Returns to scale; economies of scale; Elasticity of substitution; Euler's theorem; Technical progress and production function; Cobb-Douglas, CES, VES; Traditional and modern theories of costs; Derivation of cost functions from production functions; Derived demand for factors.

UNIT - IV: Price and output determination - I:

Marginal analysis as an approach to price and output determination; Perfect competition Short-run and long-run equilibrium of the firm and industry, Price and output determination, supply curve; Monopoly ---- Short-run and long-run equilibrium, Price discrimination, Monopoly control and regulation.

UNIT - V: Price and output determination - II:

Monopolistic competition --- Chamberlin's approach, equilibrium of the firm and the group with product differentiation and selling costs, Excess capacity under monopolistic competition and imperfect competition, Criticism on monopolistic competition, Oligopoly-----Non-collusive (Cournot, Bertrand, Edgeworth, Stackleberg, Kinked demand curve and Stackleberg's solution) and collusive (Cartels and mergers, price leadership and basing point price system) models; Pricing strategies; Price and output determination under Monopsony and Bilateral monopoly.

M.A. COMPULSORY PAPER
SEMESTER-II, PAPER-I

MICRO ECONOMIC ANALYSIS - II

UNIT - I: Alternative theories of firm:

Critical evaluation of marginal analysis; Baumol's sales revenue maximization model; Williamson's model of managerial discretion; Marris model of managerial enterprise; Full cost pricing rule; Bain's Limit pricing theory and its recent developments including Sylos-Labini, Midigliani behavioural models of firms.

UNIT - II: Distribution:

Neo-classical approach—Marginal productivity theory; Product Exhaustion theorem; Elasticity of technical substitution, technical progress and factor shares; Determination of rent, wages, interest and profit.

UNIT - III: Welfare Economics

Pigovian welfare economics; Pareto optimal conditions; Value judgement; Social welfare function; Compensation principle; Inability to obtain optimum welfare—Imperfections, market failure, decreasing costs, uncertainty and non-existent and incomplete markets; Theory of Second Best— Arrow's impossibility theorem;

UNIT - IV: Equilibrium analysis

Partial and general equilibrium, Walrasian excess demand and; existence, stability and uniqueness of equilibrium and general equilibrium.

UNIT - V: Economics of uncertainty

Individual behaviour towards risk, expected utility and certainty equivalence approaches, risk and risk aversion --- gambling and insurance, the economics of insurance.

BASIC READING LIST (Both for 1st & 2nd Semesters)

- Kreps, David M. (1990), A Course in Microeconomic Theory, Princeton University Press, Princeton.
- Koutsoyianna, A. (1979), Modern Microeconomics, (2nd Edition), MacMillan Press, London.
- Layard, P.R.G. and A.W. Walters (1978), Microeconomic Theory, McGraw Hill, New York.
- Sen, A. (1999), Microeconomics: Theory and Applications, Oxford University Press, New Delhi.
- Stigler, G. (1996), Theory of Price, (4th Edition), Prentice Hall of India, New Delhi.
- Varian, H. (2000), Microeconomic Analysis, W.W. Norton, New York.

- Baumol, W.J. (1982), Economic Theory and Operations Analysis, Prentice Hall of India, New Delhi.
- Hirshleifer, J. and A. Glazer (1997), Price Theory and Applications, Prentice Hall of India, New Delhi.
- Green, H. and V. Walsh (1975), Classical and Neo-Classical Theories of General Equilibrium, Oxford University Press, London.
- Weintrub, E.R. (1974), General Equilibrium Theory, Macmillan, London.

M.A. ECONOMICS COMPULSORY PAPER
SEMESTER – I, Paper-II
MACRO ECONOMIC ANALYSIS-I

UNIT – I: National Income Accounting

Approaches of Macro Economics and Variables – Circular Flow of Income in two, three and four-sector economy; different forms of national income accounting – social accounting, input-output accounting, flow of funds accounting and balance of payments accounting.

UNIT – II: Consumption Function

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, relative income, permanent and life cycle income hypotheses and their reconciliation.

UNIT – III: Investment Function

Marginal efficiency of capital and investment – long run and short run MEI and level of investment. The profits and accelerator theories and investment behaviour – Influence of policy measures on Investment - Financial theory of investment Institutions and capital market in India. Growth and Development of Capital Market – Primary and secondary markets, regulation of capital market and functioning.

UNIT – IV: Supply of Money

Measures of Money Supply, theories of money supply, Monetary transmission mechanism and monetary transmission mechanism in India. 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.

UNIT – V: Demand for Money

Theories of demand for money – Classical approach to demand for money – Quantity theory approach, Fisher's equation, Cambridge quantity theory, Keynes's liquidity preference approach, transaction, precautionary and speculative demand for money – aggregate demand for money; Derivation of LM curve. Demand for money India.

M.A. ECONOMICS COMPULSORY PAPER
SEMESTER – II, Paper-II
MACRO ECONOMIC ANALYSIS -II

UNIT – I: Post-Keynesian Theories of Demand for Money

Post-Keynesian approaches to demand for money – Patinkin and the Real Balance Effect, Approaches of Baumol and Tobin; Friedman and the modern quantity theory; Crisis in Keynesian economics and the revival of monetarism – Friedman Restatement of quality of money and its critical appraisal.

UNIT – II: Neo-classical and Keynesian Synthesis

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.

UNIT – III: Theory of Inflation

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

UNIT – IV: Business Cycles

Business Cycles – Theories of Schumpeter, Samuelson and Hicks - Interaction of multiplier and acceleration model, Control of business cycles – relative efficacy of monetary and fiscal policies – Monetary policy and its objectives with special reference to Indian Economy.

UNIT – V: New Classical Macroeconomics

The new classical macroeconomic approach; Policy implications of new classical approach – Rational expectations theory, Role of expectations in macroeconomic analysis – Additive expectations. Supply side economics assumptions and evaluation. Macro stabilisation policies and Financial sector Reforms in India.

BASIC READING LIST (Both for 1st & 2nd Semesters)

- Rinern 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.

M.A. ECONOMICS COMPULSORY PAPER
SEMESTER – I, PAPER – III

Quantitative Methods - I

UNIT – I: Mathematics - I

Uses and limitations of Mathematics in Economics, Concept of Function and type of functions, Concept of derivative, Rules of differentiation, Interpretation of revenue, cost, demand, supply functions, Elasticities and their types.

UNIT – II: Mathematics - II

Multivariable functions, Concept and types of production functions, rules of partial differentiation and interpretation of partial derivatives, Problems of maxima and minima in single and multivariable functions.

UNIT – III: Statistics - I

Definition of Statistics, Uses and limitation 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.

UNIT – IV: Statistics - II

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.

UNIT – V: Statistics - III

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

M.A. ECONOMICS COMPULSORY PAPER
SEMESTER – II, PAPER – III

Quantitative Methods - II

UNIT – I: Mathematics - I

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, concept of vector and its properties, Introduction to input-output analysis.

UNIT – II: Mathematics - II

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.

UNIT – III: Statistics – I

Basic concept of sampling – random and non-random sampling, simple random, stratified random and P.P.S. sampling, 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.

UNIT – IV: Statistics - II

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.

UNIT – V: Statistics - III

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.

Books Recommended (Both for 1st & 2nd Semesters)

1. Monga, G.S. (1972), *Mathematics and Statistics for Economists*, Vikas publishing house, New Delhi.
2. Chiang, A.C. (1988), *Fundamental Methods of Mathematical Economics*, Mac Graw Hill, New York.
3. Allen, R.G.D. (1974), *Mathematical Analysis for Economists*, Mac Millan Press and ELBS, London.
4. Dowling, E.T (1992), *Mathematical Economics 2nd Edition*, Mac Graw Hill, New York.
5. Gupta, S.P. (), *Statistical methods*, Sultan Chand and Sons, New Delhi.
6. Nagar, A.L and Das, R.K. (1983): *Basic Statistics 2nd Edition*, OUP, Delhi.
7. Speigal, M.R. (1992), *Theory and Problems of Statistics*, Mc Graw Hill Book Co., London.
8. Yamune, Taro (1975) *Mathematics for Economists*, Prentice Hall of India, New Delhi.

M.A. ECONOMICS COMPULSORY PAPER
SEMESTER – I, PAPER – IV
PUBLIC ECONOMICS - I

UNIT – I: Introduction

Role of state in economic activities – Changing role of state in a mixed economy. Public and Private sector – Evolution of public finance. Multiple theory of public house hold – Public and private goods – Market mechanism in public and private goods. State as an agent of planning and development.

UNIT – II: Public Choice

Public choice – Private and public mechanism of allocating resources – Preference revelation and aggregation of preferences; voting systems. An economic theory of Democracy – Politico-eco-bureaucracy, Rent seeking and Direct unproductive profit seeking activities.

UNIT – III: Public Policy

Rationale for 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. Provision of infrastructural facilities; Removing distributional inequalities and regional imbalances.

UNIT – IV: Public Expenditure:

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 – Cost-benefit analysis – Project evaluation and role of CBA.

UNIT – V: Taxation

Approaches to taxation – Benefit approach, Ability to pay approach and Neutrality approach – Elasticity and buoyancy of taxation- Incidence and shifting of taxation – Types and classification of taxes and VAT.

M.A. ECONOMICS COMPULSORY PAPER
SEMESTER -II, PAPER -IV
PUBLIC ECONOMICS - II

UNIT - I: Public Debt

Approaches to public debt – 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.

UNIT - II: Fiscal Policy

Objectives of Fiscal Policy – and Full employment, Anti-inflationary Fiscal Policy; Fiscal Policies for redistribution of income and wealth fiscal policy for stabilization – Fiscal Policy and Monetary Policy – Mobilization on Financial resources – alternative fiscal policies and impact on growth, distribution and prices – Fiscal policies in a developing country.

UNIT - III: Federal Finance

Federal financial structure and its main features – Direct taxes – Income tax – Corporate tax and other. Indirect tax structure – Union excise duties, customs duties, sales tax – VAT. Centre-State financial relations – Transfer of resources from union to states and local bodies.

UNIT - IV: Budget

Budget – Classification of budgets – Economic, Functional, organizational, object classification of budgets – Performance programming and zero based budgets – Surplus, balanced and deficit budgets – Concepts of budget deficit and their implications – State and Central budgets and Fiscal Reforms in India.

UNIT - V: Indian Public Finances

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 (Both for 1st & 2nd Semesters)

- Atkinson, A B and J.E Siglitz (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.

M.A. ECONOMICS Compulsory Paper
SEMESTER - I, Paper - V
INTERNATIONAL TRADE AND FINANCE - I

UNIT - I: Theory of International Trade

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.

UNIT - II: Technology & Growth

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.

UNIT - III: Measurement of Gains

Measurement of gains from trade and their distribution; 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;

UNIT - IV: Theory of Interventions

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.

UNIT - V: Balance of Payments - I

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.

M.A. ECONOMICS Compulsory Paper
SEMESTER -II, Paper - V

INTERNATIONAL TRADE AND FINANCE - II

UNIT - I: Balance of Payments - II

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 rates in the context of growth and development in developing countries.

UNIT - II: The Theory of Regional Blocs

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.

UNIT - III: International Institutions

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.

UNIT - IV: Trade Reforms in India

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.

UNIT - V: Trade Policies

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 (Both for 1st & 2nd Semesters)

- 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.