

Course structure for M.Phil entrance examination 2010-2011

M. Phil entrance examination will consist of the following compulsory papers.

1. PAPER I MICRO ECONOMIC ANALYSIS
2. PAPER II MACRO ECONOMICS
3. PAPER III ECONOMICS OF GROWTH AND DEVELOPMENT
4. PAPER IV INTERNATIONAL TRADE AND FINANCE
5. PAPER V THEORY OF PUBLIC ECONOMICS & ENVIRONMENT
6. PAPER VI QUANTITATIVE METHODS

Syllabus For M.Phil Entrance Examination 2014-2015

Paper I: MICROECONOMIC ANALYSIS

Consumer Behavior:

Utility function, Indifference curve analysis, income and substitution effects, revealed preference hypothesis, elasticity, Homogeneity of demand functions, consumer surplus, income leisure tradeoff, decision making under uncertainty, expected utility maximization, risk aversion and insurance premium

Production and Markets:

Production functions - linear and non-linear, Laws of production, equilibrium of firm, theory of costs, Perfect Competition: Monopoly, Monopolistic competition, Oligopoly duopoly models- Cournot, Bertrand, Chamberlain and Stackelberg theorems.

Managerial theories of firm;

Managerial theories of firm; Baumol, Marris and Williamsons.

Welfare Economics,

Theory of distribution - perfect and imperfect markets, Walrasian Equilibrium; existence, stability and uniqueness of general equilibrium; Pareto Optimality, social welfare function, Arrows impossibility theorem,

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Paper II: MARCROECONOMIC ANALYSIS

Supply of Money:

Empirical definitions of Money. Measures of money supply in India. The stock of high powered money and its determinants. (H theory of Money) Money multiplier process and factors affecting the money multiplier. Predictability and the stability of money multiplier. Reserve Bank's Analysis of money supply.

Demand for Money :

Classical Approach to Demand for Money-Quantity Theory Approach, Fisher's Equation and Cambridge Quantity Theory, Keynes's Liquidity preference Approach – Transaction, precautionary and speculative demand for money. Derivation of LM curve.

Neo-Classical Monetary Theory:

The Neo-quantity theory of Milton Friedman, portfolio Balance Approach of James Tobin. The Wealth Adjustment Process Approach of Karl Brunner and Allan Meltzer. Post-Keynesian Approach to Demand for Money-Patinkin and Real Balance Effect. Approach of Baumol and Tobin; crisis in Keynesian economics and revival of monetarism.

Macro-economic policies:

General Equilibrium and the derivation of IS-LM curves – Relative effectiveness of Monetary and Fiscal policies in open and closed economics- Mechanism and difference between Monetarism and Keynesianism. The Mundell—Fleming Model with fixed and floating exchange rate. Rational Expectations.

National Income:

The measurement of GNP and difficulties in measurement. Product vs. Disproduct. The components for Final Demand. The GNP and “quality of life”. Alternative components of total Product. The system of Accounts. Double Entry Equation, Flow/ Diagram and Matrix Presentation of Accounting system. Equality and Distribution of National Income (Factor Incomes). Environmental Accounting, Parallel Economy.

Sectoral Demand Functions:

Consumption Demand, Keynes’s Psychological Law of Consumption. Consumption Function and Income Determination . Income-Consumption Relationship-Absolute Income, Relative Income and permanent Income Hypotheses. The Life Cycle Theory of consumption and Savings. Investment Demand: Neo-Classical and Keynesian approaches (Marginal Efficiency Approach.) Acceleration Principle, Keynesian Multiplier –Static and Dynamic.

Fluctuations and Stabilization:

The Anatomy of cycle. Indicators of Cycle. Theories of trade Cycle. Hicksian Theory of Trade Cycle. Samuelson theory of Trade Cycle. Kaldor’s model of trade cycle. Control of business cycles. Relative efficiency of Monetary and Fiscal Policies, Stabilization policy in an open economy and its limitations.

Theory of Inflation:

Classical, Keynesian and Monetarist approaches to inflation. Effects of inflation on distribution of income, wealth and economic growth. Demand Pull and Cost Push inflation, Bent Hansen’s theory of demand- pull inflation. The short run and long run Phillips curve. Policies to control inflation (Monetary, Fiscal and Income Policies.)

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Paper III: ECONOMIC OF GROWTH AND DEVELOPMENT

Development: Concept Analysis:

Development-Concept and Approaches, Growth and Development Distinction, Measurement, Development Gap and Disparity, Human Development Index (HDI). Physical Quality of life Index (PQLI) Development and Planning .

Institutional Aspect of Development:

Economic development and institutions, -Market and market failure, State and state failure. Issues of good governance. Classical theory of development – contributions of Adam Smith, Ricardo, Malthus and James Mill. Karl Marx and development of socialistic economy –theory of social change, surplus value and profit, crises in capitalism. Role of community in economic development Prisoners dilemma, trust as a social capital and supply of local public goods.

Planning and Development:

Need for investment criteria in developing countries- capital –output ratio; project appraisal , private cost-benefit analysis, theory of growth Centers and growth poles as planning strategy. Social cost –benefit analysis and shadow prices. Need for planning –democratic, decentralized and indicative planning.

Trade and Economic Development:

Contribution of trade in development- static and dynamic. Terms of Trade and economic development. The role of tariffs in economic development. Trade vs Aid. Liberalization of Trade. The evolution and objective, New International economic Order (NIEO).external resources- FDI, Aid, Technology inflow and MNC activity in developing countries . Burden of borrowing. Debt crisis IMF and World Bank policies in developing countries. Balance of Payments constrained growth

Economic Growth:

Factors affecting economic growth –Capital, Labor and technology, Measurement and International comparison of growth and development. Per capita income as an index of development,.

Theories of economic Growth:

Harro-Domar Models, Neo-Classical growth models- Solow, Meade and Kaldor. Neo Classical growth model (Generalized version with & without Technology). Cambridge Model of Growth-- -Mrs. Joan Robinson's Model. Cambridge criticism of Neo-classical analysis of growth. Production Function approach to economic growth. Total factor Productivity and growth accounting . Two sector model of Ujawa: A.K. Model.

Approaches to Development:

Partial theories of growth and development --- Vicious circle of poverty---stages of growth, Balanced vs Unbalanced growth----The Big Push---Critical Minimum effort---Low Level equilibrium Trap---Ranis and Fei model . Dual Gap analysis. Structural view of Development.

Sectoral Aspects of Development :

Role of agriculture in economic development. Efficiency and productivity in agriculture New technology and sustainable agriculture. Modernization of traditional agriculture. Globalization and agricultural growth. Rational and pattern of industrialization in developing countries. Terms of Trade between agriculture and industry and their impact on economic development.

Syllabus For M.Phil Entrance Examination 2014-2015**Paper IV: THEORY OF INTERNATIONAL TRADE AND FINANCE**

Theories of International Trade:

Classical theory of comparative advantage- Ricardo: Real cost and Opportunity cost approaches- Factor endowment and international trade-Heckscher - Ohlin theorem – Empirical evidence on Ricardo and Heckscher-Ohlin theories – leontiff paradox – new theories of international trade – Trade with economics of scale – product cycle hypothesis – transport cost- Location of industry.

Gains from Trade:

Production and consumption effect – social indifference curves – optimality and free trade - commodity, income and factorial terms of trade –terms of trade and gains from international trade – imperfect competition and international trade monopoly; monopolistic competition and oligopoly –export cartels and commodity agreements – dumping.

Trade, Economic Growth and Commercial Policy:

Role of factor accumulation – Rybezynski theorem – technical progress and growth – economic growth and terms of trade – Immersing growth. Commercial Policy; theory of tariffs – tariffs and terms of trade-tariffs, real income and distribution of income- optimum tariffs- commercial policy and economic development

Trade Policy :

Trends in quantum and value of world trade-Trade and developing countries. Pattern of trade-export instability – Prebish – Singer and unequal exchange hypotheses – import substitution – export led growth – Buffer stocks for commodity price stabilization –commodity cartels for primary product prices- third world debt crises.

Foreign Exchange Markets and Exchange Rate Determination:

Definition, structure and functions of foreign exchange markets- types of foreign exchange transactions, interbank market, option market, Exchange trading, arbitrage, market hedging and speculation. Exchange rate determination-purchasing power parity theory, interest parity theory.

Balance of payments and Adjustment Mechanism:

BOP- Meaning and components, equilibrium and disequilibrium. The process of adjustment under flexible exchange rate system. Adjustment under fixed exchange rate system. Expenditure reducing and expenditure switching policies and direct controls. Devaluation –elasticity and absorption approaches. Policies for achieving internal and external balance simultaneously under alternative exchange rate regimes. Foreign trade multiplier, Monetary approach to the balance of Payments.

International Monetary Systems and Capital Markets:

Rise and fall Bretton woods system and emerging international monetary system. Fixed V/S Flexible exchange rates and contemporary system of floating exchange rates. International trade and financial institutions- IMF, IBRD,GATT,WTO, Euro currency markets.

Trade policies in India:

Trade reforms-Exim policy , changes in direction and composition of India's trade. Capital and current account convertibility. International reserves-magnitude and management ; India's external debt; exchange rate determination and RBI interventions.

Paper V: PUBLIC ECONOMICS AND ENVIRONMENTAL ECONOMICS

Unit 1 Fundamentals of Public Economics

Public Economics, Tools of Budget Analysis, Role of government, Externality theory, Coase theorem, Corrective taxation, Market Failure, Free Riders Problem, Cost Benefit analysis. preference revelation and aggregation. Political Economy, Arrow's Impossibility Theorem, Rent- seeking, Optimal Fiscal federalism and the Tibeout model. Theory of Club goods.

Unit 3 Public Expenditure and Taxation and fiscal federalism

Wagner's and Wiseman-Peacock hypothesis, Pure theory of public expenditure, programme budgeting and zero-base budgeting. Taxation: incidence and impact, Dead-weight loss, Theory of Optimal Taxation, Public Borrowing and Debt.

Fiscal Federalism, Centre-State financial relations, Sources of Revenue, Reforms in Direct and Indirect Taxes, Budget Deficit and Its Implications.

Public Finance – Subject Matter and Role of Government:

Role of public Finance in an underdeveloped economy. Government failures, planning and economic development. Budget as means of operationalising the planning process. Public and Private sector cooperation or competition.

Rationale for Public Policies:

Allocation of resources ; Pigou's view . Intersectoral allocation. Optimum budget and functions of budget policy. Meaning and characteristics of Public goods. Voluntary exchange theory of public goods. Hick's optima of public policy . Samuelson's theory of public goods.

Public Expenditure:

Meaning and Scope, Structure and growth of public expenditure. Wiseman peacock hypothesis. Wagner's law of increasing state activities. Pure theory of public expenditure, Developmental and Non-Developmental Expenditure. The concept of performance budgeting, Programme budgeting and Zero-based budgeting, Fiscal federalism in Indian Finance commission.

Taxation:

Meaning and impact of taxation. Effect and incidence of taxation, theories of incidence—concentration theory, diffusion theory, Supply and demand theory, concepts of budgetary incidence – Direct and Indirect taxes and their role in developing countries. Ability to pay principle—proportional versus Progressive taxation, specific Versus Advalorem taxation. Theory and measurement of Dead Weight Losses. Indian. tax system – structure and reforms, public debt-trends in India.

Public Bads and Externalities:

Environmental Problems-Individual and social preferences regarding environmental protection: sustainability: biocentrism, Pareto criterion, compensation principle- Efficiency and competitive markets- failure, public goods and bads, optimal provision and pricing of public goods and bads, externalities –Property rights-Coase theorem –Pigovian fees.

Measurement of Environmental value:

Concept of natural resources ; valuation methods – Market pricing approach- replacement cost approach – hedonic price approaches –household production function approach – contingent valuation method experimental markets.

Theory of Environmental Policy:

Rationale for environmental regulation; Regulatory framework-general pollution control model: damage and abatement cost functions-decentralized approach- command and control approach- emission charges and subsidies transferable discharge permits.

Environmental Regulation in India

Mechanism for environmental regulation in India-environmental laws and their implementation – policy instruments for controlling water and air pollutions and forestry policy-people's participation in the management of commons and forest policy-people's participation in the management of commons and forest lands-the institutions of joint forest management.

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Paper VI: Quantitative Techniques in Economics

Calculus and Economic Application

Derivatives—definition and evaluation; Rules of differentiation; Partial derivatives; Higher order differentiation; Euler's theorem; Uses of differentiation in economics; constrained optimization; Lagrangian multiplier; Marginal Concepts—Relationship between average, marginal and total elasticities; Logarithm and exponents.

Integration

Indefinite integral; rules of integration; definite integral; Fundamental theorem of integral; properties of definite integral; Economic application of integrals; Consumer's surplus; Producer's surplus.

Matrices, Input Out Analysis and Linear Programming

Some basic operations—adjoint and inverse; Cramer's rule; the Jacobean rule; The Hessian rule; Input-output analysis; Linear programming—graphical method.

First Order Differential and Difference Equation

First Order differential Equations—definition and concept; general formula for first order linear differential equations; Exact differential equations and partial integration; Rules for integrating functions; First-order difference equations—definition and concept; general formula for first order difference linear equations; lagged income determination modal; Cobweb theorem.

Correlation Regression and association of attributes

Correlation—meaning and scope; Karl Pearson's Coefficient of Correlation; rank Correlation; Partial and multiple Correlation; Regression—meaning and scope; simple and multiple

regression; coefficient of regression; Association of attribute—meaning, scope; Class frequencies. Coefficient of determination R^2

Probability and Frequency Distribution

Meaning and definition of probability; Probability Rules—Addition and multiplication rule; Conditional Probability; Frequency distribution—binomial, Poisson, normal and Chi-Square Distribution (mean; standard deviation and their applications).

Hypothesis testing and theory of Estimation

The Hypothesis Testing Process; One tailed and two tailed tests; type I and type II error; t, Z, F and χ^2 tests; Chi square goodness of Fit; Analysis of variance (one way and two way analysis); Property of estimators. Testing of regression-Gauss Markov theorem, interval Estimation and hypothesis testing test of significance and Confidence interval Approach.

Problems in Regression Analysis

Nature, test consequences and remedial steps of problems of Heteroscedesity, multicollinearity and auto-correlation, problems of specification error and error of measurement.

Advanced models

Dummy variables techniques and qualitative dependent variable models-logit and probit. Autoregressive and distributed lag models- koyek, partial adjustment and adaptive expectations. Simultaneous equations- problem; estimation- Indirect Least Square, Two Stage Least Square Time series- stationery, unit root, Dickey fuller test, co - integration, causality test, Box Jenkins methodology.