

Syllabus for M.Phil



**DEPARTMENT OF ECONOMICS
RAJIV GANDHI UNIVERSITY
Rono Hills-791112
2015**

First Semester

Paper I:	Research Methodology
Paper II:	Economic Theory –I

Second Semester

Paper III:	Economic Theory –II
Paper IV:	Contemporary Issues in Indian Economy

Third Semester

Dissertation Writing.

Objectives of the programme:

The course is designed to achieve two objectives: One is to acquaint the scholars with the latest development in economics including econometrics and the other is to equip them with the methodology of social science research in general and of economics in particular. The scholars are also trained in the analysis of quantitative data through computers.

Outcome of the programme:

As a first step in research into the various complex economic issues, the M. Phil course makes the scholars well-equipped for advanced research in economics leading to Ph.D.

PAPER I: RESEARCH METHODOLOGY

Total Marks: 100

Objectives:

Compulsory for all the scholars admitted into M.Phil in Economics, this paper deals with the basic rules and procedure followed in research in social science in general and in Economics in particular. Of the five units of the syllabus, the first two deals with sampling and the collection of data representative of the universe. The next two units are concerned with the estimation procedure of a structural model of the economy. The last units are the time-series analysis dealing with the growth and cyclical behaviour of economic variables.

Outcome:

Invaluable to all the M.Phil scholars, this paper has proved to be a common guidebook of all researchers in the Department of Economics.

Unit I: Nature of Social Science Research

Meaning of Research – Social Science research and its Objectives – Types: Participant Observations, Action research, Participant Action Research, Community based research; quantitative and qualitative research, economic research and its problems Research Design – importance – Features of a good research design.

Unit II: Instruments of Social Science Research

Identification of the economic problem to be researched – literature review, construction of conceptual frame work, formulation of hypothesis, Data – Secondary and primary collection of primary data – preparation of questionnaire; sampling problems: heterogeneity of the universe, difference between theoretical variables and their observable counterparts, stratification of the universe and methods of Sampling Empirical testing of the hypothesis and report writing.

Unit III: Empirical Methods of Estimation

Estimation of general linear regression model, and testing the significance of the co-efficients and construction of their confidence intervals: generalized least squares, Violation of the assumptions: heteroskedasticity and its solution: testing of autocorrelation and its removal.

Unit IV: Model of an Economy and its Estimation

Formulation of a simple model of an economy and its estimation; distributed lag model. Problems in simultaneous equations model: bias, multicollinearity, endogeneity, etc., and their solution, principal components analysis

Unit V: Time Series Analysis

Time series – stationary and non-stationary; trend – deterministic and stochastic; Autoregression and Autocorrelation; Spectrum of a time series, Random walk, unit root tests, Co-interaction: Vector Auto Regression and Granger Causality, Estimation using time series.

Note: Special emphasis should be given on interpretation of the results obtained.

Recommended Readings:

1. Outhwaite, William & Stephen P Turner (ed.). *The Sage Handbook of Social Science Methodology*, London: Sage, 2007.
2. Zina, O'Leary. *The Essential Guide to Doing Research*, New Delhi: Vostaar Publications, 2004.
3. Ghosh, B N. *Scientific Methods and Social Science Research*, New Delhi, 1987.
4. Johnston, J. *Econometric Methods*, New Delhi: McGraw – Hill (latest edition).
5. Box, George & P Jenkins, G M & Reinsel, G C, *Time Series Analysis*, Delhi: Pearson, 2007 (3rd edition)
6. Stock, J H and Watson, M W, *Introduction to Econometrics*, Delhi Pearson, 2003.

PAPER II: Economic Theory I

Total Marks: 100

Objectives:

This is the paper covering a wide range of topics: advanced demand theory, oligopoly and asymmetric information from Microeconomics, business cycles, rational expectation and policy ineffectiveness from macroeconomics and also deals with financial economics. Financialization of the economy and financial integration of the world economy have made financial economics very useful to the scholars.

Outcome:

This paper has strengthened, sharpened and deepened the understanding of a growing segment of a modern economy.

Unit-I: Demand Theory

Shape of the utility function and risk – von Neumann-Morgenstern Utility Theorem, Duality in demand theory – Properties of Marshallian and Hicksian demand functions; empirical estimation of demand (Rotterdam Model), Kaldor's theory of distribution.

Unit II: Market

Oligopoly – application of both cooperative and non-cooperative games to the solution of oligopoly problems, Asymmetric information: Akerlof's theory of market for lemons.

Unit III: Macro Economics in Closed Economy

New Classical Macro Model – Rational expectation and Policy ineffectiveness – major weakness -Real business cycle model, New Keynesian Model and their critique.

Unit IV: Macro Economics in Open Economy

Open Economy Macro Model – Mundell-Fleming Model, flexible exchange rate and problems of Monetary and Fiscal Policy in the open Economy model, case studies of Indian monetary and fiscal policies since 1991.

Unit V: Financial Economics

Cost of Capital - traditional Theory – Modigliani-Miller Theory – its proof and short comings; derivatives – Types of derivatives – Binominal pricing model and Black-Scholes model of derivative pricing.

Recommended Readings:

1. Birman H Scot & L Fernandz *Game Theory with Economic Application*, Pearson Education, 2003.
2. Froyen, R T *Macroeconomics*, Delhi: Pearson, 1999.
3. Hoover, K D *The New Classical Macro-Economics*, Oxford: Black well, 1988.
4. Elton, E J and Grucer, M J *Modern Portfolio Theory and Investment Analysis*, Singapore, John Wiley, 2001.
5. Mclaney, E J *Business Finance: Theory and Practice*, Delhi: Pearson, 2000.
6. Sharpe, W F, Alexander, G J and Bailey, J V *Investments*, New Delhi: Prentice Hall, 1995.

PAPER III: Economic Theory –II

Total marks 100

Objectives:

To strengthen and deepen the understanding of the scholars on modern trade theories and the problem of managing the balance of payments. Both trade and balance of payments have acquired enhanced importance with the slow but steady integration of Indian economy with the global economy. This paper also deals with the institutional factors constraining the development process and difficulty in utilisation of the natural resources. The environmental economics also forms a unit of this paper.

Outcome:

This paper contains important topics relevant to the proper understanding of the issues of development in an increasingly competitive and financially integrated world. Especially important are the institutional and legal constraints: property rights, contract enforcement mechanism, etc., which in the short run or even in median run are parametric. The scholars find this paper boosting their understanding of the 'actual' constraints to development.

Unit I: Theory of International Trade

Trade under increasing Return – Imperfect competition, Intra-industry trade – Product Life Cycle Theory.

Unit II: Balance of Payments

Convertibility – current and capital Accounts, Theories of Regional trade Block, Evolution of European Union, Optimum Currency area, SAPTA and SAFTA.

Unit III: Basic issues of Development

Problems of market: its immaturity, imperfect information, lack of credibility, property rights, and externality – problems in the development of market: adverse selection and moral hazards; Role of State: Peter B Evans' State as the problem and solution: Predation embedded autonomy and structural change.

Unit IV: Factors in Development

Natural resource and Dutch disease – technological progress, human capital and increasing return, an overview of endogenous growth models and its evaluation.

Unit V: Methods of Environmental Valuation

Basic Concepts of Valuation methods, Revealed preference (Direct proxy method) – Productivity change method, Substitute cost method – Revealed preference – non-proxy method – travel cost and Hedonic price method (conceptual Framework and case studies) Stated preference – Contingent valuation method – (Conceptual framework and case studies) – limitations.

Recommended Readings:

1. Meier, G M and Rauch, J E (ed.) *Leading Issues in Economic Development*, Oxford University Press, 7th edition.
2. Macho-Stadler, I and Perez-Castillo, J D. *An Introduction to the Economics of Information*, Oxford University Press, 2001.
3. Soderston, B, *International Economics*, Prentice Hall, Upper Saddle River, N J New York, 1997.
4. Salvator, D. *International Economics*, Prentice Hall, Upper Saddle River, N J New York, 1997.
5. Markandya A and Harou Patrice, *Environmental Economics for Sustainable Growth*, Edward Elger, USA, 2002.
6. Pearce, D W, *Environmental Economics*, Longman, London, 1992.

PAPER IV: Contemporary Issues in Indian Economy

Total Marks 100

Objectives:

To acquaint the students with the conditions of the Indian economy and its institutional structure – in many instances the students find economic dealing with the problems of the developed countries in depth and only touching tangentially the ‘real’ problems of the developing countries, including India. This syllabus tries to remove this anomaly. The ‘real’ problem in a developing country, like India is a weak property rights regime and also weak contract enforcement mechanisms. All these are included so as to make the scholars aware of what are the ‘real’ constraints of Indian economy.

Outcome:

This paper has succeeded in making the students aware of what are the ‘real’ constraints to the growth of the Indian economy and the factors underlying the regional economic disparity in the country.

Unit I: Growth and Poverty

Performance of the Indian Economy since independence: growth of Income and Employment cyclical behaviour of the Indian economy – Trends of Poverty and Human Development since 1950s.

Unit II: Growth and Inequality

Income growth in States –grouping of States in terms of the level and growth of income, Human Development, Industrialization; Role of foreign capital – case study of India and China, infrastructure (Physical, financial, social), extent of development of markets, property rights, contract enforcement mechanism, causes of regional disparity and its removal.

Unit III: Globalisation and its Impact

Performance of the Indian economy since 1990s, sectoral performance, impact of Globalisation on different regions of India with special reference to North East India.

Unit IV: Policy Issues

Poverty alleviation programmes – Employment generation – Inclusive growth – Evaluation of Five-year plans with special emphasis on the 11th five-year plan.

Unit V: Arunachal Economy

Problems of Arunachal Economy: Structure of Arunachal economy, its evolution, characteristics of traditional economies, institutional structure, technology, mode of surplus disposal, Growth pattern and its sources.

Recommended Readings:

1. Bardhan, P. *The Political Economy of development in India*, Oxford University Press, New Delhi, 1991.
2. Jalan, B. *The Indian Economy – Problems and Prospects*, Vikash, New Delhi, 1992.
3. Ahluwalia, I J and IMD Little (eds.) *India’s Economic Reforms and development* (Essays in honour of Manmohan Singh), Oxford University Press, New Delhi, 1999.
4. Kapila, Uma (ed.) *India’s Economic Reforms*, Academic Foundation, New Delhi.
5. Government of India, *Economic Survey (annual)*, Ministry of Finance, New Delhi.
6. Radhakrishnan, R (ed) *India Development Report – 2004-05 and latest issues*, Oxford University Press, New Delhi.
7. *Specific Papers Published in EPW and other Research Journals.*
8. Government of Arunachal Pradesh, *Arunachal Pradesh Human Development Report, 2005*, Itanagar.
9. Government of India, *Arunachal Pradesh Development Report 2008*, Planning Commission, Academic Foundation, New Delhi, 2009