M.A. Applied Economics
Syllabus
Introduction

MA (Applied Economics) in CDS is a unique master’s programme in economics that aims at providing a rigorous training in theory, tools and methods for applied economic analysis, with a special focus on issues of economic development. The degree is awarded by Jawaharlal Nehru University (New Delhi).

MA students will be part of a vibrant research community at CDS, comprising of faculty, research scholars and visitors, working on various facets of development within an inter-disciplinary framework. Trained as applied economists, students are expected to be well prepared for careers in academia, government, national and international development agencies, research institutions, the corporate sector and the media.

Corrected and Updated on April 15, 2016
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*Not all optional courses will be offered every year.*
AE101: Fundamentals of Microeconomic Theory

The objective of this course is to introduce students to basic concepts, theories and methods in microeconomics.

Course Outline

1. Choice (Consumer Behaviour and Uncertainty)
2. Theory of the Firm (production, cost)
3. Competitive Markets and Monopoly
4. Market Structure (Cournot, Bertrand and Stackelberg) with an introduction to Game Theory
6. Information Economics (Moral Hazard and Adverse Selection)

Readings

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AE102: Fundamentals of Macroeconomic Theory
This is a graduate level foundations course on Macroeconomic theory.

1  What is Macroeconomics?
Subject matter of macroeconomics, National Income Accounting, Macroeconomic identities, Overview of data on broad empirical patterns

2  Classical Macroeconomics
Classical Dichotomy, Quantity Theory of Money, Great deflation, Origins of modern macroeconomics

3  Keynesian Macroeconomics
Say’s law, Loanable funds vs. liquidity preferences, Effective demand, Role of Investment, Keynes-Kahn Multiplier, Output determination, Paradox of thrift, Role for stabilization policy

4  Neoclassical Synthesis
IS-LM model, Aggregate supply and aggregate demand, Phillips curve, Adaptive expectations, Stagflation, Lucas critique

5  Money, Inflation and Monetary Policy
Functions of Money, Determination of price level and Interest rates, Monetarist view (Friedman), Monetary Policy, Instruments and Targets, Stable Monetary Rules, Inflation dynamics, Endogenous Money
6 New Classical Macroeconomics

Micro foundations, Neoclassical (optimal) Growth models, OLG Model, Lucas supply curve, Rational Expectations, Policy Ineffectiveness proposition, Dynamic Inconsistency, New Keynesian viewpoint, Nominal rigidities, Dynamic Stochastic General Equilibrium Model

7 Unemployment

Classical vs. Keynesian Unemployment, Natural rate hypothesis, Efficiency wage models, Search and matching in labour market

8 Business Cycles

Measurement, Endogenous theories (Hicks, Goodwin, Kaldor), Exogenous theories - Real Business Cycle theories, Financial cycles (Minsky), Growth cycles

9 Budget Deficits and Macroeconomic Policy

Debt dynamics, Domar instability condition, Ricardian Equivalence, Monetisation of the debt, Contemporary Macroeconomic debates in India and the world

Suggested Readings

Books (Selected chapters)


• Heijdra, B.J. and F. van der Ploeg (2002), Foundations of Modern Macroeconomics, Oxford University Press, UK.

• Phelps, E. (1990), *Seven Schools of Macroeconomic Thought*, Oxford University Press, Oxford

**Papers / Chapters**


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AE103 : Mathematical Methods

This course offers a rigorous training in basic mathematical methods, essential for studying the modern economics literature. The importance of the use of mathematics in economic analysis will be captured by way of illustrations of all mathematical methods introduced in this course with relevant economic applications.

Course Outline

1. Introductory Concepts: Mathematical logic and Set Theory
2. Real Linear Algebra
3. Real Analysis;
4. Static Optimization
5. Differential Equations, Dynamic System and Dynamic Optimization

Suggested Readings

- Patrick Suppes, Introduction to Logic
- Anjan Mukherji and Subrata Guha, Mathematical Methods and Economic Theory
- A.H. Smith and W. A. Albrecht Fundamental Concepts of Analysis
- C.P.Simon and L.E. Blume, Mathematics for Economists
- Gilbert Strang, Linear Algebra and its Application
- R.K.Sundaram, A first course in Optimization Theory
• M. Hoy, J. Livernois, C. McKenna, R. Rees, T. Stengos Mathematics for Economics

• A.C. Chiang, Elements of Dynamic Optimization

• M.I.Kamien and N.I.Schwartz, Dynamic Optimization Calculus of Variations and Optimal Control in Economics and Management
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AE104: Statistics

This course offers an introduction to the theory and application of basic statistical and econometric analysis. Students will also apply the techniques learned in this course using Stata/PcGive/E-views. The course is structured in 40 hours of lectures plus tutorials over 14 weeks of a semester.

Course Outline

- **Introduction**: Recapitulating descriptive statistics.

- **Probability theory**: random variables; standard and sampling distributions; law of large numbers.

- **Statistical Inference**: Theory of estimation; Properties of estimators; Methods of estimation: least square method, method of moments and maximum likelihood; Tests of Significance: parametric and nonparametric methods.

- **Bivariate distributions**: Contingency tables, joint and conditional distributions, conditional mean and variance, Analysis of variance; Analysis of Covariance.

- **The classical linear regression model**: Ordinary Least Squares (OLS): Estimation and Inference: simple and multiple regression models; Functional forms and structural change; Non-linear regression; Growth rates; Dummy variable regressors.

- **Generalised Least Squares**: Violations of OLS assumptions; Misspecification test.
Suggested Readings


- De Groot, Morris H. and Schervish, Mark J.: *Probability and Statistics*

- Hogg ;and Craig: *Mathematical Statistics*
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AE105: Econometric Methods

Course Objectives

This course introduces students to advanced econometric methods that are commonly used in applied economic analysis. This course places particular emphasis on application and interpretation of these methods and therefore the lecture sessions will include a number of illustrations of empirical econometric studies.

Course Outline

- **Systems of Equations**: Seemingly unrelated regression (SUR) model; Recursive equation system; Simultaneous equation model; Identification; Estimation.

- **Multivariate analysis**: Discriminant analysis; Factor Analysis/Principal Component Analysis, Multi-Dimensional Scaling, Cluster Analysis.

- **Models with Limited Dependent and Qualitative Variables**: Binary choice models - linear probability model, probit, and logit models; Multi response models - multinomial logit and ordered probit models; Truncated and Censored regressions: Tobit model.

- **Time Series Analysis**: Stationarity; Autocorrelations and Partial Autocorrelation Functions; Unit roots and Units roots tests; ARIMA modelling; ARCH/GARCH models; VAR models; Cointegration: Engle-Granger and Johansen procedures; ARDL model.

- **Models for Panel Data**: Fixed Effects and Random Effects method; Dynamic Panel Data models.
Suggested Readings

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AE106: Economic Development

The objective of this course is to provide a comprehensive introduction to the theoretical paradigms of economic development. By its very nature, the scope is interdisciplinary in nature, incorporating non-economic dimensions like culture, norms and values as well as political, historical and social processes. The discourse, however, is essentially based on the logic and theoretical framework of standard economic analysis.

Course Outline

1 Introduction

- Concept and Measurement
- A Theoretical Framework for Economic Development
- Structural Features of Underdevelopment: A Comparative Perspective

2 Population Growth, Resource Constraint and Economic Development

- Demographic transition
- Macro and Micro Inertia
- Fertility Choice at the Micro level
- Malthusian Theory
- Ricardo Model
3 Dual Economy Models and Labour

- Lewis Model
- Rural Urban Migration (Harris-Todaro)
- Labour Turnover Model
- Wage Productivity Model
- Child Labour

4 Capital Accumulation, Technological Progress

- Classical Thinkers – Smith, Ricardo, Marx
- Balanced growth, Harrod-Domar and Low level equilibrium trap
- Neoclassical growth theories – Solow model and growth accounting
- New growth theories – Endogenous growth
- Technological Capability of LDCs

5 Special Topics in Economic Development

- Poverty and Inequality
- Agriculture and the Rural Economy

Suggested Readings

Centre for Development Studies

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AE107: International Economics

The objective of this course is to introduce students to world trade and payments. The course covers not only the foundations of pure and monetary theories of international trade but also includes applied topics of contemporary relevance, like trade agreements and currency crisis.

Course Outline

1  Introduction

Autarky, Sources of Trade, Pattern of Trade, Gains from Trade, Components of GFT, Terms of Trade

2  Orthodox Trade Theory

Adam Smith and Absolute Advantage, Comparative Advantage and Ricardoian Model of Technology and Trade, Factor Endowment and the four core theorems (Heckscher-Ohlin, Factor Price Equalization, Stolper-Samuelson and Rybczynsky)

3  Trade Policy

Tariff, Quota and VER, Optimal Tariff, Tariff-Quota Equivalence

4  Trade Agreements

Free Trade versus Protection, PTAs, Economic Integration, Multilateralism, WTO
5 Balance of Payments

Balance of Payments, Capital Flows, National Accounts

6 Exchange Rates

Determinants and Forex Market Equilibrium

7 Open Economy Macroeconomics

The Elasticity Approach, Marshall-Lerner Condition, Multipliers, Mundell-Fleming Model, Purchasing Power Parity, Fischer Effect, Monetary Approach, Overshooting, Monetary Policy and Fiscal Policy

8 Exchange Rate Regimes

Fixed and Flexible Exchange Rate Regimes, Sterilization, Monetary and Fiscal Intervention, Devaluation and BOP Crisis, Capital Flight.

9 Macroeconomic Policy Regimes

Internal and External Balances, Zones of Economic Discomfort, Expenditure Reducing and Switching, Absorption Approach

10 Financial and Currency Crisis: Introduction

Speculative Attack, Currency Crisis, Banking Crisis, Mexican and South-east Asian Experiences

Suggested Readings


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AE108: Indian Economic Development

This course offers an analytical introduction to the main aspects of the Indian economic policy and performance in the post independence period. We examine Indian economic problems in the light of relevant economic theory(ies), and in a comparative perspective. The course is expected to enable the students to appreciate the evolution of the economy, its institutional framework, nuances in using statistical information for analysing public policy, and to get familiar with the issues for research.

Course Outline
(Number of Lectures in Parenthesis)

1. Indian economic growth, distribution and structural change: Comparative historical perspective(3).
2. Planning for economic development: Changing contours of state & market in India (2)
3. Poverty and inequality: Trends and policies (2)
4. Land, labour, agriculture and agrarian relations (2)
5. Industry, public sector and technology (2)
6. Trade, investment and aid (external sector) (2)
7. Finance and development (3)
8. Monetary policy, and the transmission mechanism (2)
9. Public finance in Indian economy (3)
10. Health and education (2)
11. Evolution of economic reforms: (4)
Readings

1. Indian economic growth, distribution & structural change: Comparative historical perspective.


2. Planning for economic development: Changing contours of state and market in India


3. Poverty and inequality: Trends and policies

4. Land, labour and agrarian relations


5. Industry, public sector and technology


6. Trade, investment and aid (external sector)


7. Finance and development


• RBI (1995) Report of the Committee to Review the Working of the Monetary System (Chairman: Sukhamoy Chakravarty); chapters 1-5.


8. Evolution of economic reforms


**Additional References**


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AE201: Public Economics

1 Role of State and Macroeconomic Perspective of Public Finance

1. Role of Government: Issues related to market failure and government intervention

2. Changing Role of State: Issues in Public Finance in a Globalising World with special emphasis on global public goods

3. Macroeconomics of Public Finance: The Interaction between Fiscal and Monetary Policy and Fiscal Stabilization

2 Theory of Taxation and Tax Policy Issues

1. Tax Incidence: The General and Partial Equilibrium Analysis

2. Shifting and Incidence of Taxes

3. Theory of Optimal Taxation

4. Environmental Externalities

5. Environmental Policy and Regulations

6. Pollution Taxes

7. Distributional Considerations in Public Finance

8. Issues Related to Tax Policy in Developing Countries

9. Indian Tax System: An Assessment
10. Practical Issues in Tax reform India
11. An Introduction to Value Added Tax
12. Value Added Tax : Design Issues and Options
13. Value Added Tax in Federal Set-up: Cross Country Experience
14. Value Added Tax and Federalism

3 Public Expenditure Theory and Applied Issues

1. Pure Theory of Public Expenditure
2. Public Sector Pricing: Pricing of Public Utilities
3. The Median Voter Theorem: Basic Idea and Applications to Public Finance
4. Taxonomy and Growth of Public Expenditure in States
5. Public Expenditure Management & Control
6. Concepts, Measurement and Magnitude of Subsidies
7. Social Infrastructure and Financing Human Development

4 Fiscal Federalism: Theory and Practice

1. Theory of Fiscal Federalism: The Decentralization Theorem
2. Fiscal Federalism: An Economic Approach
3. Economic Efficiency Issues in Multilevel Government
4. Assignment Issues in Multilevel Government
5. Theory of Intergovernmental Transfers
6. Issues of Indian Federalism and Intergovernmental Transfers in India
7. Issues in Fiscal Decentralization in India in the context of 73rd and 74th Constitutional Amendments
5 Fiscal Imbalance and Management of Public Debt

2. Fiscal deficit and Interest rate: Analytical and Empirical Issues
3. Trends in and financing pattern of deficits in India and its macroeconomic implications
4. Public Debt Burden and Intergenerational Equity
5. Issues Related to Public Debt Sustainability

6 Current Issues in Indian Public Finance

1. Trends and Developments in Indian Fiscal Policy: Recent Experience
2. Fiscal Responsibility and Budget Management Act: An Evaluation
4. State Level Pension Reforms
5. Sub-National Fiscal Reforms in India: Recent Initiatives
6. Implications of the Recommendations of Finance Commission
7. Plan Financing and its Implications
8. Centrally Sponsored Schemes and the Implications for Federalism

Suggested Readings

Books


**Papers**


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AE202: Industrial Organisation

Course Objective

The course provides a graduate level introduction to Industrial Organization. It is designed to provide a broad introduction to topics and industries that current researchers are studying as well as to expose students to a wide variety of techniques. It will start the process of preparing economics PhD students to conduct thesis research in the area, and may also be of interest to economics and related fields. The course presumes that students have a familiarity with micro theory, basic game theory and some econometrics.

1 Preliminaries

• The SCP paradigm

• Relationship between a measure of concentration and measure of market power.

• Additional cost concepts: Switching costs, Transaction costs. Asset specificity and hold-up problems.


2 Pricing Strategies

• Price Discrimination: First, Second, Third Degree

• Durable Goods monopoly

• Bundling and Tying
3 **Market structures**

- The Cournot model: First order and second order conditions.
- Conjectural variations and the coefficients of cooperation.
- Cournot competition with many firms.
- Bertrand competition with homogeneous products.
- The Stackelberg equilibrium reinterpreted as subgame-perfect equilibrium
- Strategic substitutes and complements.
- Strategic Commitments: Direct and Strategic effects; Commitments;
- Taxonomy of strategies; Flexibility and option value.

4 **Product differentiation**

- Horizontal and vertical product differentiation
- Bertrand competition with product differentiation
- Hotelling’s model
- Vertical product differentiation model

5 **Cartels and collusion**

- Explicit collusion; Size of cartel; Cheating in a cartel; Successful operation of a cartel
- How severe should punishment be? What characteristics should punishments have to deter cheating?
- Tacit Co-operation: Price leadership, Focal point pricing, Pre-announcing future price increases, Industry associations
- Cartel success and failure
6 Entry Barriers

- Bain: The three types of entry barriers
- Conditions of entry: the Dixit model
- The Limit Pricing Model– The Sylos Postulate
- The Limit Pricing Model–Excess capacity creation, plant proliferation, product proliferation, reputation-building
- Predatory pricing.

7 Advertising

- Informative advertising and persuasive advertising.
- The Dorfman-Steiner model. Two possible extensions.

8 Multi-market operations

- Vertical Integration and vertical control
- Conglomerate diversification
- Related vs. Unrelated Diversification.

9 Network externalities

- Compatibility and standards
- Two-sided markets

10 Contracts and Incentives

- Unobservable efforts.
- Incentive from ownership.
- Incentives and insurance.
• Internal labour markets.
• Efficiency wage theory.

11 Innovation

• R&D
• Creative destruction
• The incentive to innovate: The sunk cost effect; The replacement effect; The efficiency effect; Innovation competition
• Patent races,
  – Deterministic patent races
• Process innovation

12 Competition Policy

• Two main aspects of a competition policy
• Why competition policy?
• Two main domains of antitrust law
• Per se violations and the Rule of reason
• Different Approaches to Regulation
• Some Issues in Competition Law
• International Harmonization of Competition Laws
• Competition Policy in Dynamic Markets
Essential Readings


- Church, J. and R. Ware,(2000), Industrial Organization: A Strategic Approach, McGraw-Hill.


AE203: Topics in Trade and Development

The objective of the course is to introduce students to advanced topics in international economics that are particularly relevant for the study of economic development.

Course Outline

1  Gains from Trade: Revisited
   1. Gains from Trade: Technology and Trade (Ricardo); Endowment and Trade (Heckscher-Ohlin).

2  Comparative Costs and Developing Countries
   1. Implications of Comparative Costs in LDCs
   2. HO in light of LDCs
   3. Comparative Advantage and Dynamics

3  New Trade Theories
   1. Increasing Returns, Monopolistic Competition and Trade
   2. Economies of Scale, Product Differentiation and Trade
   3. Intra Industry Trade
   4. Introduction to Spatial Economics
4 Trade, Wages, Unequal Exchange and Inequality
   1. Recap: Factor Price Equalization, Stolper-Samuelson and Rybczynsky Theorems
   2. New Trade Theories and Wages
   3. Trade and Wage Inequality in Developing Countries
   4. Convergence in Theory and Practice
   5. Unequal Exchange and Inequality

5 Trade and Factor Movements
   1. Trade in Factors, Factor Content of Trade, HO-Vanek Theorem
   2. International Capital Flows, FDIs, TNCs
   3. International Migration

6 Resources, Trade and Development
   1. Trade, Accumulation and Development
   2. The Narrow-moving Band, the Dutch Disease

7 Regionalism, Economic Co-operation and Development
   1. Regionalism in Trade
   2. Gainers and Losers from Economic Integration
   3. Selected Case Studies
   4. South-south Cooperation
Suggested Readings


AE204: Economics of Technology and Innovation

Course Objective

The course takes the students through an engagement with the varied literature dealing with concepts, measurement and analytical methods involved in understanding generation of innovation, its diffusion and the effects of this diffusion in a typical developing country. After attending this course, the student is not only exposed to the theoretical developments in generation and diffusion of innovations but also its application.

Course Outline

1. **Introductory topics:** Nature and importance of innovation- Invention-Innovation- Incremental innovation- innovation in the context of developing countries- radical and disruptive innovations and user led innovations.

2. **Conceptualization of Innovation:** Linear versus Chain-linked models.

3. **Systemic perspective on Innovation:** National System of Innovation-Empirical implementation- Meaning of national systems of innovation in the context of globalisation- Sectoral and Regional systems of Innovation: explanation of why one sector/region is more innovative than another one.

4. **Measuring Innovation:** Conventional vs new indicators - Composite measures of innovation.

5. **Understanding the process of diffusion of innovations in an economy:** Estimating the relationship between diffusion of innovation and economic growth in a nation – the concept of total factor productivity(TFP).
6. **Policy instruments to stimulate generation of innovation and diffusion of innovations:** Financial instruments (R&D tax incentives, Research Grants, Loans and Venture Capital) - Non financial instruments (Supply of human resource in science and engineering, industrial standards and clustering) - Measuring the effectiveness of innovation policy instrument.

7. **Market structure and Innovation:** Empirical measurement and evidence across time and space.

8. **Internal organization of firms and its effect on innovations:** organizational culture and innovations.

9. **International technology transfer:** The market for disembodied technologies and issues related to technology transfer: channels of technology transfer; Relationship between technology imports and local technology generating efforts- Changes in international governance rules with respect to promotion of innovation: R&D subsidies, public procurement, and Potential and actual effects of TRIPS compliance of domestic patent regimes.

10. **MNCs as a source of technology spillovers to local companies:** Evidence from across countries and industries

11. **Some emerging issues:**

    (a) Effect of technological innovations on wages and inequality in incomes.

    (b) Below-the-radar (frugal) innovations-measuring and identifying it and policy instruments for promoting it: the increasing role of the organized sector in pro-poor innovations.

    (c) **Technological development of India:** Policies; India as an emerging high technology giant?

**Essential Readings**


• Hall, Bronwyn and Nathan Rosenberg (eds., 2010), *Handbook of the Economics of Innovation, Volumes I and II*, Amsterdam: Elsevier.
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AE205: Population and Development

A course on Population and Human Development will inform on the following:

- Divergent views on Population and Development: Theories, debates;
- Paradigm Shift in Concept and Definition of Development;
- Population and Development Linkage: challenges, trends and Programmatic responses; and
- Socio-economic implications of Population growth: case studies from developing countries.

Course Outline

- Trends and patterns of world population growth,
- Sources of population Data,
- Fertility and Nuptiality, Mobility and Mortality,
- Migration, Urbanization,
- Concepts of development, Measures of development,
- Development Theories, Divergent views on population & development,
- Human development and Millennium Development Goals,
- Population and Health, Population & Poverty,
- Population and Aging,
- Gender Issues and Development,
• Thoughts on development and environment,
• Use of Population Data in Development Planning.

Essential Readings


• Bloom, David, E at al. (2003), The Demographic Dividend: A new Perspective on the Economic Consequences of Population Change, Population Matters, Rand, USA.


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AE206: History of Economic Thought

This course surveys the main schools in the history of the development of economic thought, beginning with that in ancient civilizations. The course concludes with a consideration of the ‘Epic’ recession and the recent financial crisis. Throughout the course, economic theories will be examined in the light of the interrelationships between theory, policies and conditions, including responses to the current financial and economic global crises. To increase the students understanding and appreciation of the development, progression, and regression of human understanding of how humans do and should act in “the ordinary business of life”. Beginning with ancient civilizations we will progress historically (as far as we are able) to the present day, taking a broad view of what constitutes ‘economic thought’, (e.g., a mixture of institutional, philosophical, policy oriented, and ‘purely’ theoretical) put into the general historical context of human affairs (political, religious, social, and scientific).

Course Outline

1 Economic Thought Before Adam Smith

- An Introduction to Epistemology, Methodology and the Philosophy of Science
- Economic Thought in Ancient Civilizations: China
- Economic Thought in Ancient Civilizations: India
- Economic Thought in Ancient Civilizations: The Hebrews and the Bible
- Economic Thought in Ancient Civilizations: Rome
- Early Christianity and Economic Thought
- The Middle Ages: Islamic Contributions
- Mercantilism and Cameralism

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• The Natural Law-Natural Rights Tradition
• Cantillon, Turgot and the Physiocrats
• British Economics: Setting the Stage for Smith

2 Classical Theories of Value, Growth and Distribution
• Smith and Ricardo on the Theory of Value
• Later Subjectivist Theories of Value
• Classicalists on the Determinants of Economic Growth
• Classical Theories of Income Distribution

3 Classical Economics on Money, Banking, and Policy
• Classical Monetary Theory
• Classical Public Finance
• Say’s Law, Gluts, and Business Cycles
• Classical Economic Policy in Theory and Practice

4 Marxist Economics: Classical Or Not?
• Marx and the Labour Theory of Value
• Marx’s Theory of Money
• Marx on Distribution
• Marx’s Theory of Capital Accumulation and Crises

5 Marginalists, Marshall, and Neoclassical Economics
• Pre-Marginalism (French, German, and Italian contributions)
• The Marginal Revolution: Jevons, Menger, and Walras De-homogenized
• Alfred Marshall and Neo-Classicalism
• Capital Theory
• Wicksell, Fisher and the Development of the Quantity Theory
• Mises and Hayek: On Socialism and Business Cycles
• Schumpeter, Fisher & Kalecki on Business Cycles

6 Keynes: Theory of Money, Investment, and Cycles

• Keynes Vs. Say’s Law and Classical Economics
• Keynes’ Theory of Investment
• Keynes on Money and Speculation
• Keynes on the Business Cycle

7 Neoclassical Synthesis and Monetarist Challenge

• The Hicks-Hansen-Samuelson IS-LM Transformation
• Phillips Curve Debates
• Friedman’s Fundamental Monetarist Propositions
• Critiques of Monetarism

8 Economic Thought at Historical Crossroads?

• The Rise of Mathematics and Statistics in Economics
• Public Choice and Constitutional Economics
• Competition and Knowledge: Perfect, Imperfect and Rivalrous
• Rational Expectations, Real Business Cycles & Efficient Markets
• Hyman Minsky’s Financial Instability Hypothesis.
• Understanding ‘Epic’ Recession and Financial Crisis, 2007-09
Assessment

Review questions and homework problems will be handed out for each section of the course. Knowledge of these review questions will be very helpful when taking the exams. Students are encouraged to work out answers to these questions and discuss them among themselves.

Suggested Readings


AE207: Economic History of Modern India

This course you will have some understanding of

1. the factors that have influenced the pace of long run economic growth in the Indian economy.
2. key institutional, demographic, political, social, and cultural changes that have influenced the course of Indian economic development.
3. the major debates and controversies in the study of the economic history of India

1 Introduction to Economic History

2 Themes and Debates in World Economic History

3 Major Themes in the Economic History of India (1757-1947)
   1. Before the ‘Event’ of Colonialism
   2. The Impact of Colonialism on Development: Debates
   3. The eighteenth and early nineteenth Century Transition
   4. The eighteenth Century Transition: the Divergence Debate

4 Agriculture
   1. Commercialization
   2. Peasant Revolts: Impacts and Effects
5 The Artisan Industry

6 Industry and Business in Colonial India

7 People in Economic History
   1. The Demographic Experience
   2. Migration and Indian Diasporas
   3. Gender in Economic History
   4. Health and Well Being in Economic History

8 ‘Space’ in Economic History
   1. The Environment
   2. Urbanisation and its Challenges

9 Innovation and Technology in Economic History

Suggested Readings


- Paul M. Hohenberg,(2008)“Toward a More Useful Economic History”, *The Journal of Economic History* 68,2.


• “On peasant property rights”, selections from: *Cambridge Economic History of India*, vol. 2, chapters on agrarian relations


• David Ludden, (ed.) (1994) Agricultural Production in Indian History, Delhi: Oxford University Press. (Selected essays and the introduction).


• Sumit Guha ()Health and Population in South Asia from the Earliest times to the present, Orient Black Swan, pp. 1-24, 156-185.


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AE 209: Environment and Sustainable Development

The objective of the course is to introduce the concerns about environmental damage, depletion of natural resources, and sustainability as part of economic development. It should also provide students the concepts, tools and policy instruments used in economics to address these concerns. It also touches upon some macro-issues like the incorporation of environmental impact in growth accounting and also the conceptualisation and measurement of sustainable development.

1 Introduction to Environmental Impacts of Development

2 Introducing Environmental Economics
   • Environmental problem as an Externality
   • Environmental Conservation as a Public Good
   • Correcting Market Failures leading environmental damage and resource depletion
   • Government Failure and Environmental Impacts

3 Economics of Natural Resources
   • Optimal Extraction Non-renewable Resources
   • Common Property Management
   • Failure of Open access Management
   • Possibilities of collective/Community Management
4 Environment and Macroeconomics

- Assessing the impact of environmental damage on macroeconomic variables
- Environment and System of National accounts

5 Sustainable Development

- Defining Sustainable Development
- Different Approaches to Sustainability
- Measurement of Sustainability

6 Cost-Benefit Analysis and Environment

- Need for CBA and Valuation
- Market-Based Valuation
- Use of Surrogate Market
- Use of Stated Preference Methods
- Applications

7 Policy Instruments

- Bases for judging among Instruments
- Static and dynamic efficiency
- Standards, Taxes, subsidies, Market Based Instruments
- Liability Provisions
- The Provision of Information; Information disclosure
- Issues of Enforcement
- Citizens? actions
Suggested Readings


Supplementary Readings

• David Pearce and Dominic Moran, *The Economic Value of Biodiversity*, Earth Scan Publications Ltd., London

• Tom Tietenberg, *Environmental and Natural Resource Economics*, V Edtn., Addison-Wesley, Massachusetts

• Barbier, Edward B., *The Economics of Environment and Development, Selected Essays*, Edward Elgar, Cheltenham


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AE210: Gender and Development

General Objectives

The main objective of the course is to introduce the students to the use of gender as an analytical category in the context of development. The course seeks to equip students with an understanding of the major concepts that are used in the gender analysis of development. It seeks to provide a historical overview of gender and development as it emerged as a domain of knowledge with multiple and contentious theoretical underpinnings. Taking up some of the major development issues, the course seeks to demonstrate the methodological and empirical problems that gender analyses raises. In the context of development issues, it also seeks to provide an understanding of new conceptualizations and methodologies that gender analyses gives shape to.

1 Key Concepts in Gender and Development

1. Gender
2. The Household
3. Power and Empowerment
4. ‘Feminisation? and ?Flexibility
5. Caring Labour
6. Sex, Sexuality, Gender
7. Caste, Class, Patriarchy, Age
2 Gender and Development as a Field

1. Gender perspectives on Development
2. Gender and Planning
3. Gender and Micro finance
4. Gender and Governance

3 Women, Work and the Labour Market

1. Methodological issues in measurement of women’s work
2. Women’s contribution to national income
3. Gender and the Labour market
4. Employment and Social Policy

4 Gender and Well Being

1. Engendering Poverty
2. Conceptualisation and measurement of Well Being as if gender mattered
3. Gender, literacy / education and health
4. Sex Ratios

Suggested Readings


• A Chhachhi and R Pittin (eds.) Confronting State, Capital and Patriarchy, The Hague ISS.


• Leela Kasturi, (2004), Introduction and excerpts from the report of the sub committee women’s role in planned economy, National planning committee series 1947, In M Chaudhuri (ed.) Feminism in India, Delhi: Women Unlimited.


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AE211: Labour and Development

At the end of the course the student should:

• Have an empirical understanding of the Indian labour market;
• be able to understand applications of formal theoretical models in labour economics to the Indian labour market; and
• would be able to appreciate structural transformation of labour market in developing economies and learn theoretical models specific to labour markets in developing economies.

It is assumed that the student has a basic grounding in Intermediate Micro and Macro Economics and Basic Econometrics.

The course is organized in terms of three lectures (four and half hours) per week initially. At the end of each module three sessions (four and half hours) would be spend on tutorials. Tutorials will focus on empirical applications of theoretical models discussed in the lecture sessions. Students would be assigned with home works, group exercises, classroom experiments; short field works etc as part of the tutorials of the course. Tutorials will also be used for homework solutions and clarification of lecture material.

Module 2: Individual and aggregate labour demand.
Module 3: Individual and aggregate labour supply.
Module 4: labour market equilibrium: Wages and productivity.
Module 5: Human Capital: education and training.
Module 6: Unions and labour market.
Module 7: Features of Labour market in India.

1. Unemployment and underemployment
2. Labour Market Discrimination: caste and gender
3. Labour market duality (segmentations)
4. urban and rural labour markets
5. Income distribution, income inequality and poverty

Models 8: Globalization and labour market in India

1. Mobility: migration and turnover
2. Trade, technology, industrial organization and employment
3. Labour market flexibility

Module 9: Labour market and public policy in India.

1. Public policies of employment generation.
2. Worker’s welfare programmes–social security for workers

Basic Readings


- Other handouts.
AE212: Law, Economics and Development

The main objectives of the course are the following: (a) to have an introductory exposure to law, legal theory and the way legal system functions, (b) to understand the economic or developmental dimensions of Indian constitution (c) to make the students understand the importance of law and legal process on the efficiency of economic activities/transactions; (d) to use the approach of economic analysis to assess the efficiency of specific laws and steps in legal process; (e) to critically understand the empirical literature on the relationship between economic growth and the status of legal institutions in developing countries, and (f) to enable them to understand the role of law (or its limitations) in development through specific cases. Though standard text books on ‘law economics’ will be used for the course, case examples from Indian laws and legal institutions will also be used for this purpose.

1 An Introduction to Law, Legal Principles, and the functioning of Legal system

2 Economic and Development Aspects of Indian Constitution

3 An Introduction to Law And Economics

4 Property Right
   - The Legal Concept of Property
   - An Economic Theory of Property
   - Public and Private Property
• The Public Use of Private Property: Takings and Regulation
  • Applications

5 **Contracts**
• Bargaining Theory: An Introduction to Contracts
• An Economic Theory of Contract
• Legal Remedies Applications

6 **An Economic Theory of Tort Law**

7 **Economics of Legal Process**
• Trial
• Appeals
• Judiciary
• Lawyers’ Profession

8 **Crime and Punishment**
• An Economic Theory of Crime and Punishment
• Does Punishment Deter Crime
• Efficient Punishment
• The Death Penalty

9 **An Introduction to Indian Law and Legal Institutions**
• The Civil Law and the Common Law Traditions
• The History of Indian Legal Tradition
• Indian Judicial System
• Economics of Some Indian Laws
  – Land Acquisition
  – Contract
  – Patent Protection
• Delays in Indian Legal System
• Weak Enforcement in India
• Citizens’ action and Judicial Activism

10 Law and Development: Specific Cases from India

Essential Readings


Supplementary Readings

• BarzelYoran, The Economics of Property Rights (1988), Cambridge University Press
• Eldin Aaron S and Stefan Reichelstein, Holdups Standard Breach Remedies and Optimal Investment, American Economic Association
• Hart Oliver, Firms, Contracts and Financial Structure (1995), Oxford University Press
• Steven Shavell, An Economic Analysis of Accident Law (1987), Harvard University Press, Cambridge


AE213: Issues in Indian Agriculture

The intent of this course is to provide a deeper understanding of the Indian agricultural economy since independence. It will start with an overview of the performance of agriculture, followed by an analysis of the factors and determinants including, the role of the price, technology, organization and institutions. Some of the important topics that will be covered in the course are as follows:

1 Performance of Agriculture since Independence:
   - Agricultural growth in India since 1950-51.
   - Planning for agricultural growth.
   - Changes in agrarian structure in India.
   - Agro-climatic conditions and agricultural pattern.
   - Analysis of agricultural growth and its component elements.
   - Trends in agricultural diversification.

2 Technological Change in Agriculture:
   - Trends in irrigation development (water management) and its impact on agricultural productivity and stability.
   - Bio-physical technology and productivity growth.
   - Impact of agro-mechanical technology.
   - Technological change and distribution of gains.
• Post harvest technology and Remote sensing in agriculture.
• Issues in agricultural competitiveness.

3 The Role of the Price Factor:
• Price and supply response in Indian agriculture.
• Costs and returns to scale.
• Agricultural industry linkages.
• Terms of Trade.
• Agricultural subsidies, commodity prices and state intervention.

4 Organizational Issues in Agriculture:
• Inter-linked market and agricultural development.
• Land tenure.
• Rural labour market.
• Agricultural commodity and credit markets.

5 The Institutional Issues:
• Land reforms.
• Commercial banks and Co-operative credit.
• Agricultural research and extension.
• Public investment in agriculture and rural infrastructure.
• Economic reforms and agriculture.
• Trade liberalization and its impact on agriculture.
6 Market for Agricultural Commodities:
- Changes in domestic demand and consumption.
- Issues with respect to marketed surplus, marketing channels, price spread, producers share in consumer’s rupee, value-chain, etc.
- Exports of agricultural commodities.

7 The Livestock Sector:
- Contribution of livestock to the national economy.
- Trends in livestock population, productivity and output and its determinants, technology and resource utilization.
- Role of institution in livestock development.

8 The Fisheries Sector:
- Trends in production, consumption and export of fish and fish products.
- Technological changes in marine and island fisheries and the tragedy of commons.
- Socio-economic conditions of fisher folk.
- Changes in institutional environment in the fisheries sector.

9 Sustainable Agricultural Growth and Development:
- Widening disparity between agriculture and non-agriculture.
- Reforming agriculture, constraints and scope.
- Impact of agricultural growth on the environment.
- Climate change and agriculture.
10 Rural Livelihoods and Agriculture:

- Education, other socio-economic overheads and its effect on agriculture.
- Public employment programmes, food security and other social welfare programmes on rural population.
- Panchayati Raj and other rural institutions in agriculture and rural development.
- Sustainable livelihoods and rural households.

Essential Readings:


Apart from these essential readings, the current issues appeared in the journals of national as well as international importance- Indian Journal of Agricultural Economics, Economic and Political Weekly, Indian Journal of Labour Economics, American Journal of Agricultural Economics, Journal of development studies, Journal of Agrarian Change, etc.- are also suggested.
AE214: Issues in Indian Industry

The course will familiarise the participants with the importance of industrialization for growth and employment creation. It will introduce them to all the major issues with respect to India’s industrial sector while at the same time acquaint them with the major databases underlying these issues. The student will thus be equipped with the researchable issues, methods of analysing data and drawing policy conclusions.

List of topics:

1. Preliminary concepts: Firm, Industry, Manufacturing, Services, Extractive and Construction—the concept of value added
2. Evolution of the industrial sector—place assigned to industries in India’s five year plans
3. The policy support to industrialization over the years with a special emphasis on the New Industrial Policy Statement of 1991—Land as a constraint for industrialization—Conflicts
4. The growth performance of the industrial sector since independence—what we have learnt from the stagnation debate—performance of the industrial sector since liberalization
   (a) Understanding the database of the industrial sector: The Index of Industrial Production—Industrial Sector in the National Accounts Statistics—Annual Survey Industries—the Prowess Database of CMIE
5. Growth of private industrial entrepreneurship—indicators—state support—role of finance—venture capital—incubators and other support mechanisms
6. The role assigned to public sector enterprises and the recent policy on privatization—evaluation of privatization efforts
7. The Small and Medium Scale Sector (SME) - definitional changes-Performance of the SME sector

8. Foreign Companies in the industrial sector - their share in total gross domestic investments-Performance of foreign companies-contribution of foreign companies to exports, technology and employment.

9. Outward FDI from India-its magnitude-geographical and industry-wide distribution-financing of outward FDI- Contribution of Outward FDI

10. Financing of industries-Internal vs External funds- Growth of the capital market.

11. Relationship between the growth of industrialization and employment especially since economic liberalization.

12. Energy intensity in Indian industries - trends over time - are the industries becoming energy efficient mover time?.

13. Green issues w.r.t industrialization- pollution control and monitoring instruments – effect of international governance rules.

Readings:


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AE215: Political Economy, Development and Governance

It is well known that an effective government responding to the needs of the people is required not only for managing the economy well but also for the social and human development of the society. Public economics identifies the situations where non-market institutions and governance are required and how do ‘efficient’ governments mobilize and allocate resources. How do such well functioning institutions and governments come to exist? This is not addressed usually in public economics. This is the main focus of the proposed course. A political economy approach is used here, and the course is also used to introduce political economy to the students of MA Applied Economics.

Political economy is broadly about the relationship between political and economic interests. This is a two-way relationship. Political power facilitates influence over the sharing of public resources and also on public policies that may have a bearing on private wealth. Economic status of individuals may determine their specific positions in politics. Political economy influences development in different ways. First of all, it creates the environment within which economic activities take place including governance. Structures of governance and economic environment impact the prospects for economic growth, and this can affect development. Beyond economic growth, the development also depends on how the resources (especially the public resources) are allocated within a society. Are there enough schools and healthcare centres provided by the government? Is there an adequate social security for those people who are unable to gain an income from labour market? The answers to such questions would determine the nature of social and human development in a society. Political economy plays an important role in taking decisions on these matters.

There are different ways of analysing political economy. First is the Classical political economy associated with people like Adam Smith. However Karl Marx had greater influence in reshaping classical political economy, and hence Marxism in its different forms has an impact on understanding of political economy today. Of late, neoclassical economics and new institutional economics
have strengthened what is called ‘new political economy’ and this is being used widely to understand the economic and political transition of different countries toady.

This course proposes to cover the following issues

1. The need for non-market institutions - drawing lessons from public economics
2. Efficient and inefficient institutions
3. How do efficient institutions come to exist?
4. Institutions and Political Economy
5. What is political economy and the need to study it
6. Different traditions in political economy
   (a) Classical Political Economy
   (b) Marxist Political Economy
   (c) New Political Economy
7. Political economy and Economic Growth
   (a) Inequality and Economic Growth
8. Political economy and social/human development
9. Political economy and Governance
   (a) Political Economy and Corruption
10. Political Transition in the development world
    (a) Elite Capture
    (b) Political Clientelism
        i. Competitive Populism
    (c) Transition to Liberal democracy
11. Special Topics
    (a) Political economy and Economic/institutional reforms
    (b) Political economy and local governance
Indicative references for teaching


• Santhakumar, V. (2011) Economic Analysis of Institutions, Sage, New Delhi


AE216: Economics of Project Evaluation

Course Objectives

The aim of the course is to provide the students with the theoretical tools and practical experience necessary for the appraisal of investment projects and programmes. This course places particular emphasis on understanding the concepts and the advantages and drawbacks of each of the main approaches used. The course will also familiarise the students with case studies which demonstrate the use of these techniques in practice.

Course description

Part 1: Project Appraisal

Planning & Analysis Overview


Project cash flows


Analysis of Risk

Part 2: Programme Evaluation

Operational Evaluation of Public Policies

Issues in Targeting – Methodologies followed to evaluate targeting

Impact Evaluation

Causal Reasoning and Research Design – Experimental Approach: Randomised Control Trails - Use and Abuse - Non-Experimental Approach: Matching Techniques and Propensity Score, Difference-in difference method, Instrumental Variables, Regression Discontinuity

Introduction to Datasets, Field Surveys and STATA

Introduction to National Sample Survey data (Depending on the availability of time) – Conducting a household survey (Depending on the availability of time) – STATA commands for evaluation

Readings

Part 1: Project Appraisal


Kasor, Shrutiaka 2003 Project Management, Sumit Enterprises, New Delhi,


Planning Commission Manual Project Appraisal: industries, Govt of India

UNIDO, Guidelines for practical project appraisal

**Part 2: Programme Evaluation**


