

Syllabus

UPSC CSE Economics Optional

Paper I

I. Microeconomics

- a) **Approaches to Price Determination:** Marshallian and Walrasian
- b) **Alternative Distribution Theories;** Ricardo, Kaldor, Kaleeki.
- c) **Market Structure:** Monopolistic Competition, Duopoly, Oligopoly.
- d) **Modern Welfare Criteria:** Pareto Hicks and Scitovsky, Arrow's Impossibility Theorem, A. K. Sen's Social Welfare Function.

II. Macroeconomics

- a) **Approaches to Employment Income and Interest Rate determination :** Classical, Keynes (IS-LM) curve, Neoclassical synthesis and New classical
- b) **Theories of Interest Rate determination and Interest Rate Structure.**

III. Money-Banking

- a) **Demand for and Supply of Money :** Money Multiplier Quantity Theory of Money (Fisher, Pigou and Friedman) and Keynes' Theory on Demand for Money,
- b) **Goals and Instruments of Monetary Management in Closed and Open Economies.**
- c) Relation between the Central Bank and the Treasury. Proposal for ceiling on growth rate of money

IV. Public Economics

- a) **Public Finance and its Role in market economy:** in stabilization of supply, allocation of resources and in distribution and development.
- b) **Sources of Government revenue,** forms of Taxes and Subsidies, their incidence and effects
- c) **Limits to taxation,** loans, crowding-out effects and limits to borrowings.
- d) **Public expenditure** and its effects

V. International Economics

- a) **Old and New theories of International Trade:**
 - Comparative advantage,
 - Terms of Trade and offer curve.
 - Product cycle and Strategic trade theories.
 - Trade as an engine of growth and theories of underdevelopment in an open economy.

b) Forms of protection : Tariff and quota.

c) Balance of Payments Adjustments : Alternative Approaches.

- Price versus income, income adjustments under fixed exchange rates.
- Theories of Policy mix.
- Exchange rate adjustments under capital mobility.
- Floating Rates and their implications for developing Countries: Currency Boards.
- Trade Policy and Developing Countries.
- BOP, adjustments and Policy Coordination in open economy macro-model.
- Speculative attacks.
- Trade Blocs and Monetary Unions.
- WTO : Trims, TRIPS, Domestic Measures, Different Rounds of WTO talks.

VI. Growth and Development

a) Theories of growth :

- Harrod's model;
- Lewis model of development with surplus labour.
- Balanced Unbalanced Growth.
- human capitals and Economic Growth.
- Research and Development and Economic Growth

b) Process of Economic Development of less developed countries: Myrdal and Kuznets on economic development and structural change: Role of Agriculture in Economic Development of less developed countries.

c) Economic Development and International Trade and Investment: Role of Multinationals.

d) Planning and economic Development: changing role of Markets and Planning, Private-Public Partnership.

e) Welfare indicators and measures of growth: Human development indices. The basic needs approach.

f) Development and Environmental Sustainability: Renewable and Non-Renewable Resources, Environmental Degradation, Intergenerational equity development

Paper II (Indian Economy)

I. Indian Economy in Pre-Independence Era:

- a) Land System and its changes
- b) Commercialization of agriculture Drain theory
- c) Laissez faire theory and critique
- d) Manufacture and Transport: Jute, Cotton, Railways, Money and Credit

II. Indian Economy after Independence:

A. The Pre-Liberalization Era:

- a) Contribution of Vakil, Gadgil and V.K.R.V. Rao
- b) Agriculture: Land Reforms and land tenure system, Green Revolution and capital formation in agriculture
- c) Industry Trends in composition and growth, Role of public and private sector, Small scale and cottage industries
- d) National and Per capita income: patterns, trends, aggregate and Sectoral composition and changes therein
- e) Broad factors determining National Income and distribution, Measures of poverty, Trends in poverty and inequality

B. The Post Liberalization Era:

- a) **New Economic Reform and Agriculture:** Agriculture and WTO, Food processing, subsidies, Agricultural prices and public distribution system, Impact of public expenditure on agricultural growth
- b) **New Economic Policy and Industry:** Strategy of industrialization, Privatization, Disinvestments, Role of foreign direct investment and multinationals
- c) **New Economic Policy and Trade:** Intellectual property rights : Implications of TRIPS, TRIMS, GATS and new EXIM policy
- d) **New Exchange Rate Regime:** Partial and full convertibility, Capital account convertibility
- e) **New Economic Policy and Public Finance :** Fiscal Responsibility Act, Twelfth Finance Commission and Fiscal Federalism and Fiscal Consolidation
- f) **New Economic Policy and Monetary system.** Role of RBI under the new regime
- g) **Planning:** From central Planning to indicative planning, Relation between planning and markets for growth and decentralized planning: 73rd and 74th Constitutional amendments
- h) **New Economic Policy and Employment:** Employment and poverty, Rural wages, Employment Generation, Poverty alleviation schemes, New Rural, Employment Guarantee Scheme