

# Syllabus

## Indian Economics Service

### GENERAL ECONOMICS - I

#### Part A

##### I. Theory of Consumer's Demand

- a) Cardinal utility Analysis
- b) Marginal utility and demand
- c) Consumer's surplus
- d) Indifference curve
- e) Analysis and utility function
- f) Price income and substitution effects
- g) Slutsky theorem and derivation of demand curve
- h) Revealed preference theory
- i) Duality and indirect utility function and expenditure function, Choice under risk and uncertainty
- j) Simple games of complete information, Concept of Nash equilibrium.

##### II. Theory of Production

- a) Factors of production and production function. Forms of Production Functions: Cobb Douglas, CES and Fixed coefficient type, Translog production function
- b) Laws of return, Returns to scale and Return to factors of production
- c) Duality and cost function.
- d) Measures of productive efficiency of firms: Technical and allocative efficiency.
- e) Partial Equilibrium versus General Equilibrium approach.

##### III. Theory of Value

- a) Pricing under different market structures: Public sector pricing, Marginal cost pricing, Peak load pricing, Cross-subsidy free pricing and average cost pricing
- b) Marshallian and Walrasian stability analysis
- c) Pricing with incomplete information and moral hazard problems

#### **IV. Theory of Distribution**

- a) Neoclassical distribution theories: Marginal productivity theory of determination of factor prices, Factor shares and adding up problems
- b) Euler's theorem
- c) Pricing of factors under imperfect competition, Monopoly and bilateral monopoly.
- d) Macro- distribution theories of Ricardo, Marx, Kaldor, Kalecki.

#### **V. Welfare Economics**

- a) Interpersonal comparison and aggression problem,
- b) Public goods and externalities, Divergence between social and private welfare, compensation principle
- c) Pareto optimality
- d) Social choice and other recent schools, including Coase and Sen.

### **PART B: Quantitative Methods in Economics**

#### **I. Mathematical Methods in Economics**

- a) Differentiation and Integration and their application in economics
- b) Optimisation techniques, Sets Matrices and their application in economics
- c) Linear algebra and Linear programming in economics
- d) Input-output model of Leontief

#### **II. Statistical and Econometric Methods**

- a) Measures of central tendency and Dispersions, Correlation and Regression
- b) Time series
- c) Index numbers
- d) Sampling of curves based on various linear and non- linear functions
- e) Least square methods and other multivariate analysis (only concepts and interpretation of results)
- f) Analysis of Variance
- g) Factor analysis, Principle component analysis, Discriminant analysis

#### **III. Income distribution**

- a) Pareto law of Distribution, Lognormal distribution
- b) Measurement of income inequality, Lorenz curve and Gini coefficient.
- c) Univariate and multivariate regression analysis.
- d) Problems and remedies of Heteroscedasticity, Autocorrelation and Multicollinearity

## GENERAL ECONOMICS - II

### I. Economic Thought

- a) Mercantilism
- b) Physiocrats
- c) Classical
- d) Marxist
- e) Neoclassical
- f) Keynesian
- g) Monetarist Schools of thought

### II. Concept of National Income and Social Accounting

- a) Measurement of National Income, Inter relationship between three measures of national income in the presence of Government sector and international transactions.
- b) Environmental considerations, Green national income.

### III. Theory of employment, Output, Inflation, Money and Finance

- a) The Classical theory of Employment and Output and Neoclassical approaches, Equilibrium analysis under classical and Neoclassical analysis
- b) Keynesian theory of Employment and output
- c) Post Keynesian developments.
- d) The inflationary gap
- e) Demand pull versus cost push inflation
- f) The Philip's curve and its policy implication
- g) Classical theory of Money, Quantity theory of Money, Friedman's restatement of the quantity theory, The neutrality of money
- h) The supply and demand for loanable funds and equilibrium in financial markets, Keynes' theory on demand for money
- i) IS-LM Model and AD-AS Model in Keynesian Theory

### IV. Financial and Capital Market

- a) Finance and economic development
- b) Financial markets, Stock market, Gift market
- c) Banking and Insurance
- d) Equity markets: Role of primary and secondary markets and efficiency
- e) Derivatives markets, Future and options

## **V. Economic Growth and Development**

- a) Concepts of Economic Growth and Development and their measurement
- b) Characteristics of less developed countries and obstacles to their development – growth, poverty and income distribution.
- c) Theories of growth: Classical Approach: Adam Smith, Marx Schumpeter-Neo classical approach, Robinson, Solow, Kaldor, Harrod Domar
- d) Theories of Economic Development: Rostow, Rosenstein-Rodden, Nurkse, Hirschman, Leibenstein and Arthur Lewis, Amin and Frank (Dependency school) respective role of state and the market.
- e) Utilitarian and Welfarist approach to social development and A.K. Sen's critique, Sen's capability approach to economic development
- f) The Human Development Index, Physical quality of Life Index and Human Poverty Index
- g) Basics of Endogenous Growth Theory

## **VI. International Economics**

- a) Gains from International Trade
- b) Terms of Trade policy, international trade and economic development
- c) Theories of International Trade: Ricardo, Haberler, Heckscher- Ohlin and Stapler Samuelson
- d) Theory of Tariffs- Regional Trade Arrangements
- e) ASEAN Crisis of 1998, Global Financial Crisis of 2008 and Euro Zone Crisis- Causes and Impact
- f) Balance of Payments: Disequilibrium in Balance of Payments, Mechanism of Adjustments
- g) Foreign Trade Multiplier
- h) Exchange Rates, Import and Exchange Controls and Multiple Exchange Rates
- i) IS-LM Model, Mundell- Fleming Model of Balance of Payments

## **VII. Global Institutions**

- a) UN agencies dealing with economic aspects: World Bank, IMF, WTO
- b) Multinational Corporations
- c) G-20

# GENERAL ECONOMICS - III

## I. Public Finance

- a) Theories of taxation: Optimal taxes and tax reforms, Incidence of taxation
- b) Theories of public expenditure: Objectives and effects of public expenditure, public expenditure policy and social cost benefit analysis
- c) Criteria of public investment decisions, Social rate of discount, Shadow prices of investment
- d) Unskilled labour and foreign exchange
- e) Budgetary deficits
- f) Theory of public debt management

## II. Environmental Economics

- a) Environmentally sustainable development
- b) Rio process 1992 to 2012
- c) Green GDP, UN Methodology of Integrated Environmental and Economic Accounting
- d) Environmental Values: Users and non-user's values, option value
- e) Valuation Methods: Stated and revealed preference methods
- f) Design of Environmental Policy Instruments: Pollution taxes and pollution permits, collective action and informal regulation by local communities
- g) Theories of exhaustible and renewable resources
- h) International environmental agreements, RIO Conventions, Kyoto protocol, UNFCCC, Bali Action Plan, post 2015 agreements, tradable permits and carbon taxes
- i) Climatic change problems, Carbon Markets and Market Mechanisms,
- j) Climate Change Finance and Green Climate Fund

## III. Industrial Economics

- a) Market structure, Conduct and performance of firms
- b) Product differentiation and market concentration
- c) Monopolistic price theory and Oligopolistic interdependence and pricing, entry preventing pricing
- d) Micro level investment decisions and the behaviour of firms, research and development and innovation, market structure and profitability
- e) Public policy and development of firms.

## IV. State, Market and Planning

- a) Planning in a developing economy
- b) Planning regulation and market, Indicative planning, Decentralised planning

## GENERAL ECONOMICS - IV

### I. History of development and planning

- a) Alternative development strategies
- b) Goal of self-reliance based on import substitution and protection
- c) The post-1991 globalisation strategies based on stabilisation and structural
- d) Adjustment packages: Fiscal reforms, financial sector reforms and Trade reforms.

### II. Federal Finance

- a) Constitutional provisions relating to fiscal and financial powers of the States
- b) Finance Commissions and their formulae for sharing taxes
- c) Financial aspect of Sarkaria Commission Report
- d) Financial aspects of 73rd and 74th Constitutional Amendments

### III. Budgeting and Fiscal Policy

- a) Tax, Expenditure, Budgetary deficits, Pension and Fiscal reforms
- b) Public debt management and reforms
- c) Fiscal Responsibility and Budget Management (FRBM) Act
- d) Black money and Parallel economy in India - definition, estimates, genesis, consequences and remedies

### IV. Poverty, Unemployment and Human Development

- a) Estimates of inequality and Poverty measures for India
- b) Appraisal of Government measures
- c) India's human development record in global perspective
- d) India's population policy and development

### V. Agriculture and Rural Development Strategies

- a) Technologies and institutions
- b) Land relations and Land reforms
- c) Rural credit
- d) Modern farm inputs and Marketing - Price policy and Subsidies
- e) Commercialisation and diversification
- f) Rural development programmes including poverty alleviation programmes, development of economic and social infrastructure and New Rural Employment Guarantee Scheme

## **VI. India's experience with Urbanisation and Migration**

- a) Different types of migratory flows and their impact on the economies of their origin and destination
- b) The process of growth of urban settlements
- c) Urban development strategies

## **VII. Industry: Strategy of industrial development**

- a) Industrial Policy Reform
- b) Reservation Policy relating to small scale industries
- c) Competition policy
- d) Sources of industrial finances: Bank, Share market, Insurance companies, Pension funds, non-banking sources and Foreign direct investment
- e) Role of foreign capital for direct investment and Portfolio investment
- f) Public sector reform, Privatisation and Disinvestment.

## **VIII. Labour**

- a) Employment, Unemployment and Underemployment
- b) Industrial relations and Labour welfare
- c) Strategies for employment generation
- d) Urban labour market and Informal sector employment
- e) Report of National Commission on Labour
- f) Social issues relating to labour e.g., Child Labour, Bonded Labour International Labour Standard and its impact.

## **IX. Foreign trade**

- a) Salient features of India's foreign trade, Composition, Direction and Organisation of trade
- b) Recent changes in trade
- c) Balance of payments
- d) Tariff policy
- e) Exchange rate
- f) India and WTO requirements
- g) Bilateral Trade Agreements and their implications

## **X. Money and Banking**

- a) Financial sector reforms
- b) Organisation of India's money market
- c) Changing roles of the Reserve Bank of India

- d) Commercial banks, Development finance institutions, Foreign banks and Non-banking financial institutions
- e) Indian capital market and SEBI
- f) Development in Global Financial Market and its relationship with Indian Financial Sector
- g) Commodity Market in India-Spot and Futures Market, Role of FMC

**XI. Inflation**

- a) Definition, Trends, Estimate, Consequences and remedies (control)
- b) Wholesale Price Index: components and trends
- c) Consumer Price Index: components and trends.

