St. Xavier's College – Autonomous Mumbai

Syllabus
For 6th Semester
Core and Applied Courses in

Economics
(June 2021 onwards)

Contents:
Theory Syllabus for Courses:

AECO0601   Advanced Macroeconomics
AECO0602   Macroeconomics: Theory and Practice
AECO0603   Economic Development: Policy & Applications- I
AECO0604   Economic Development: Policy & Applications - II
AECO0605   Introduction to Political Economy
AECO0606   International Finance: Theory & Policy
AECO0607   Mathematical Techniques for Economics
AECO0608   Advanced Econometrics – II
AECO0609   Corporate Finance -II
AECO0610   Indian Financial Markets

TYBA   **Course: AECO0601**

Title: Advanced Macroeconomics

Learning Objective:
1. Analyse AS-AD model and its impact on the inflation-unemployment trade-off.
2. Introduce the students to the concept of Business Cycles.
3. Analyse the role of Labour Unions and Government Policy in Labour Markets.
4. Introduce the students to Fiscal policies – taxation and public expenditure.

Number of Lectures: 60

UNIT 1: Monetary Policy Objectives and Targets   **[15 Lectures]**

1. Goals of Monetary Policy and Intermediate Targets
2. Choosing Intermediate Targets in Case of Demand Shocks
3. Choosing Intermediate Targets in Case of Supply Shocks
4. Targeting the Nominal GDP- Rules Versus Discretion in Monetary Policy

UNIT 2: Inflation – Unemployment Trade off   **[15 Lectures]**

1. Inflation and Unemployment Relation in the short run – Phillips Curve Analysis
2. Inflation and Unemployment Relation in the long run – Robert Lucas Rational Expectation Hypothesis, Adaptive Expectation Hypothesis
3. Monetarist and New Classical Theories of Business Cycle- Friedman and Lucas Approach
4. Samuelson's Super multiplier Theory of Business Cycle

UNIT 3: Labor Economics   **[15 Lectures]**

1. Profit maximization and Labour Demand- Utility and Labour Supply
2. Labor Unions and Collective Bargaining
3. Minimum Wage law and Public Policy- Cyclical Unemployment and Output Gap
4. Static Phillips Curve

UNIT 4: Public Finance   **[15 Lectures]**

1. Allocation, Distribution and Public Choice
2. Taxation – Benefits and Ability to Pay Approach, taxable capacity and Equity Approach
3. Theories of Public Expenditure – Wagner's Law, Wiseman-Peacock Hypothesis
4. Economics of Public Debt – Growth and Structure, Public Debt Sustainability

First CIA: Short answers and Concepts
Second CIA: Individual / Group Assignments

Basic Reference Book:
Mankiw, N. Gregory. Macroeconomics, 6e. New York: Worth Publishers, 2003.

Additional References:
1. D'souza, E. (2008), Macroeconomics, Pearson Education, New Delhi.
2. Musgrave R.A. and P.B. Musgrave: Public Finance in Theory and Practice, 5e. New York: McGraw Hill International Edition, 1989.
3. Dwivedi, D.N. Principles of Economics, Vikas Publishing House, New Delhi, 2008
4. Stiglitz, J. Economics of Public Sector, 3e. New York: W.W. Norton & Co, 2000

TYBA   **Course: AECO0602**

TITLE: MACROECONOMICS: THEORY AND PRACTICE

Learning Objective:
1. Analyse post-Keynesian Consumption Theories.
2. Analyse the AS-AD model.
3. Assess the role and impact of Labour Unions on Government Policy.
4. Understand the management of government budget.

Number of Lectures: 60

UNIT 1: Post-Keynesian Consumption Theories   **[15 Lectures]**

1. Irving Fisher and Inter-temporal Choice.
2. Franco Modigliani's Life Cycle Hypothesis.
3. Milton Friedman's Permanent Income Hypothesis.
4. Robert Hall and Random-Walk Hypothesis

UNIT 2: Inflation – Unemployment Trade off   **[15 Lectures]**

1. Inflation and Unemployment Relation in the short run – Phillips Curve Analysis
2. Inflation and Unemployment Relation in the long run – Robert Lucas Rational
Expectation Hypothesis, Adaptive Expectation Hypothesis
3. Monetarist and New Classical Theories of Business Cycle- Friedman and Lucas
Approach
4. Samuelson's Super multiplier Theory of Business Cycle

UNIT 3: Labor Economics   **[15 Lectures]**

1. Identifying Unemployment, measurement of unemployment with reference to India
2. Labor Unions and Collective Bargaining
3. Minimum Wage law and Public Policy
4. Theory of Efficiency Wages

UNIT 4: Public Finance   **[15 Lectures]**

1. Allocation, Distribution and Public Choice
2. Taxation – Benefits and Ability to Pay Approach, taxable capacity and Equity Approach
3. Theories of Public Expenditure – Wagner's Law, Wiseman-Peacock Hypothesis
4. Economics of Public Debt – Growth and Structure, Public Debt Sustainability

First CIA: Short answers and Concepts
Second CIA: Individual / Group Assignments

Activity: Visit to Industries to acquaint the students with production techniques, practices and
working conditions for labour.

Basic Reference Book:
Mankiw, N. Gregory. Macroeconomics, 6e. New York: Worth Publishers, 2003.

Additional References:
1. D'souza, E. (2008), Macroeconomics, Pearson Education, New Delhi.
2. Musgrave R.A. and P.B. Musgrave: Public Finance in Theory and Practice, 5e. New York: McGraw Hill International Edition, 1989.
3. Dwivedi, D.N. Principles of Economics, Vikas Publishing House, New Delhi, 2008
4. Stiglitz, J. Economics of Public Sector, 3e. New York: W.W. Norton & Co, 2000

TYBA   **Course: AECO0603**

TITLE: ECONOMIC DEVELOPMENT: POLICY AND APPLICATIONS – I

Learning Objectives:
1. Understanding the impact of demography and urbanization on the development of an economy.
2. Understanding the role of health and education on the development of an economy.
3. Assessing the influence of dual economic structures on development.
4. Understanding globalization and international networking.

Number of Lectures: 60

UNIT I: Demography and Development   **[15 Lectures]**

1. Demographic indicators of development
2. Demographic Transition and Development Patterns.
3. Human Capital Formation and Manpower Planning - contribution of education and health.
4. Women and children in the workforce.

UNIT II: Urbanization and Development   **[15 Lectures]**

1. Urbanization and Development
2. Migration and Development issues; Harris-Todaro model of rural-urban migration
3. Urban informal sector and the labour market.
4. Urban Governance and Development.

UNIT III: International Measures for Development   **[15 Lectures]**

1. Foreign Trade and Development:
2. Trade strategies for Development: inward looking and outward looking.
3. Randomized Controlled Trials and Foreign Aid
4. Foreign Assistance and Financing and Development.

UNIT IV: Critical issuesand the Development Paradigm   **[15 Lectures]**

1. Infrastructure Deficits: Power, Connectivity, Finance, Sanitation and Shelter.
2. Neglect of Agriculture and Exploitation of Natural Resources.
3. Ecological Degradation
4. Human Displacement and Dispossession.

First CIA: Short Answers and Concepts
Second CIA: Applications and Case Studies.

Basic Reference Book:
Todaro, Michael P. and S. C. Smith.*Economic Development*, 8ed. Delhi: Pearson Education,2011.

Additional References:

1. Debraj Ray, *Economic Development*, Oxford Publication, New Delhi,
2. Meier, Gerald M. and James E. Rauch. *Leading Issues in Economic Development*, 8th
   ed., Oxford University Press, New Delhi:
3. Thirwal A.P. 'Growth and Development – with special reference to developing economies,
   Palgrave-Macmillan Publication, New Delhi.

TYBA **Course: AECO0604**

TITLE: ECONOMIC DEVELOPMENT: POLICY AND APPLICATIONS – II

Learning Objectives:

1. Understand the conceptual difference between growth and development.
2. Understand different dimensions of development and theories related to development issues.
3. Evaluate development policies at national and international level by choosing case studies.
4. Sensitize itself to gender, poverty and inequality related issues.

Number of Lectures: 60

UNIT I: Demography and Development **[15 Lectures]**

1. Demographic indicators of development
2. Demographic Transition and Development Patterns.
3. Human Capital Formation and Manpower Planning - contribution of education and health.
4. Gender issues in the workforce.

UNIT II: Urbanization and Development **[15 Lectures]**

1. Urbanization and Development
2. Migration and Development issues; Harris-Todaro model of rural-urban migration
3. Urban informal sector and the labour market.
4. Sustainable Cities.

UNIT III: International Measures for Development **[15 Lectures]**

1. Foreign Trade and Development:
2. Trade strategies for Development: inward looking and outward looking.
3. Randomized Controlled Trials and Foreign Aid.
4. Capital injection and development processes in BRICS

UNIT IV: Critical issues and the Development Paradigm **[15 Lectures]**

1. Infrastructure Deficits: Power, Connectivity, Finance, Sanitation and Shelter.
2. Neglect of Agriculture and Exploitation of Natural Resources.
3. Ecological Degradation
4. Human Displacement and Dispossession.

First CIA: Short Answers and Concepts
Second CIA: Applications and Case Studies.

Basic Reference Book:

Todaro, Michael P. and S. C. Smith.*Economic Development*, 8ed. Delhi: Pearson Education, 2011.

Additional References:
1. Debraj Ray, *Economic Development*, Oxford Publication, New Delhi,
2. Meier, Gerald M. and James E. Rauch. *Leading Issues in Economic Development*, 8th ed., Oxford University Press, New Delhi:
3. Thirwal A.P. 'Growth and Development – with special reference to developing economies, Palgrave-Macmillan Publication, New Delhi.

TYBA   **Course: AECO0605**

TITLE: INTRODUCTION TO POLITICAL ECONOMY

Learning Objectives:
1. To acquaint students with the history of political economy and thereby appreciate how modern economic policy and macro decision-making have evolved into their present form.
2. To familiarize students with the relationship that exists between the market on one side and individuals, society and the state on the other, w.r.t. issues concerning gender, environment and human welfare.
3. To engage students with the impact of evolving economic policies on the organization of production, labour market institutions and corporate structure.
4. Understand the method to evaluate political economy issues in different countries.

Number of Lectures: 45

UNIT I: Changing Dynamics of Capitalist Production   **[15 Lectures]**
1. Perspective on political economy with a historical overview.
2. Fordist and Post-Fordist Production Modes: Changes in the organization of production, markets and labour process; Changes in the nature of job security and labour rights.

UNIT II: State in the Globalization Era   **[15 Lectures]**

1. Globalization and the limits of the Welfare State.
2. Development and State Autonomy.

UNIT III: Changing Role of Finance   **[15 Lectures]**

1. Financial Liberalization and Financial Fragility.
2. Globalization and uneven development – Impact on People and Environment.

First CIA: Short Answer and Concepts Test.
Second CIA: Team work assignment.

Basic Reference Book:
Hanushek, Eric Allen, 'Modern Political Economy', Cambridge University Press (1995)

Additional References:
1. Chakrabarti, Shantanu and KingshukChatterjee (eds.), „Globalization and Development – Current Trends‟ Calcutta University, Kolkata, 2012.
2. DaniRodrik. "Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank'sEconomic Growth in the 1990s: Learning from a Decade of Reform". Journal of Economic Literature.Vol. XLIV (December 2006), pp. 973-987.
3. Harvey, David, „A Brief History of Neoliberalism‟, Oxford University Press, 2005.
4. Ross, Michael,„The Bottom Billion‟. Sage Publication, 1999.
5. Sen, Amartya, „Over 100 million women are missing‟, New York Times Review of

Books,1990.
6. Shleifer, Andrei and Robert W. Vishny, „The Politics of Market Socialism", The Journal of Economic Perspectives, Vol. 8, No. 2 (Spring 1994), 165-176.

TYBA   **Course: AECO0606**

TITLE: INTERNATIONAL FINANCE: THEORY AND POLICY

Learning Objective:
1. To study the structure of Balance of Payment.
2. To develop the capability of tracing out the opportunities for trading.
3. To understand the process of adjustment under systems of fixed exchange rates and flexible exchange rates.
4. To understand the recent changes in the trade policy in India.

Number of Lectures: 45

UNIT I: Balance Of Payments   **[15 Lectures]**

1. Accounting principles in Balance of payments (Double entry system)
2. Balance of payments disequilibrium – causes, types, correction
3. Marshall – Lerner Condition
4. Exchange Rate Theories: Balance of Payment Approach and Purchasing Power Parity Theory

UNIT II: International Monetary Systems   **[15 Lectures]**

1. Overview of Gold Standard System.
2. Collapse of Bretton Woods System.
3. Fixed versus Flexible Exchange Rate System.
4. International liquidity and role of IMF.

UNIT III: International Financial Management   **[15 Lectures]**

1. Understanding the nature of Foreign Exchange market.
2. International parity Relationships.
3. Foreign exchange risk and hedging.
4. International capital investment analysis

First CIA : MCQs
Second CIA: Projects

BasicReferenceBook:
International Economics, Schaum's Outlines (4th Edition) Dominick Salvatore, McGraw-Hill .

AdditionalReferenceBooks:
1. Cherunilam Francis, *International Economics* (4th Edition), Tata McGraw-Hill , 2006
2. Keenan P,*International Economics*
3. KrugmanPearsonPaulR.&ObstfeldMaurice,*Economics-InternationalTheory&Policy* (6thEdition),Pearson
4. PilbanKeith

5. Sodersten Bo &Reed Geoffrey, *International Economics*,McMillanPress Ltd.,2003
6.Dominick Salvatore,*InternationalEconomics* (7thEdition),JohnWiley,2001

TYBA   **Course: AECO0607**

TITLE: MATHEMATICAL TECHNIQUES FOR ECONOMICS

Learning Objective:
1. Learn mathematical techniques for building economic models.
2. Understand the variables in the model.
3. Learn techniques to find equilibrium solution of the model.
4. Apply mathematical techniques in different areas of Economics.

Number of Lectures: 60

Unit 1: Linear Algebra   **[10 Lectures]**

- Homogeneous and Non-Homogeneous Linear Equation Systems,Types of Solutions, Matrix Solution to Linear Equation Systems, Applications: Arbitrage Portfolios and State Prices
- Eigen values and Eigenvectors: Steady State and Long Term Predictions
- Structure of Input- Output Systems.

Unit 2: **Economic Applications of Derivatives and Partial Derivatives**   **[20 Lectures]**

- Limits and Continuity
- Applications: Implicit Differentiation-Marginal Rate of Technical Substitution, Rate of Growth, Profit Maximising Price with/without Price Discrimination, Duopoly Model

Unit 3: **Economic Applications of Partial Derivatives**   **[20 Lectures]**

- Geometrical Interpretation of Partial Derivatives
- Modelling and Optimising Utility and Production Functions; Testing the Law of DMU; Own and Cross Elasticities of Demand onLogarithmic Scale, Homogeneous Functions; Euler's Theorem:Adding-Up Problem
- Indirect Utility Functions

Unit 4: Economic Applications of Integrals   **[10 Lectures]**

- Consumer's and Producer's Surplus, Optimal Timing; Present Value of Continuous Annuity

CIA-1& CIA-2: Written Test

References:

1. Dowling, E. Schaum's Outline of Introduction to Mathematical Economics. McGraw Hill (2011)

2. Anthony M., & Biggs, N. Mathematics for Economics and Finance. Cambridge University Press (1996)

3. Chiang, A. Fundamental Methods of Mathematical Economics. McGraw- Hill(1984)

4. Asano, A. An Introduction to Mathematics for Economics. Cambridge University Press (2013)

5. Lay, D. Linear Algebra & Its Applications. Pearson (2012).

6. Defranza, J. & Gagliardi, D. Introduction to Linear Algebra. McGraw-Hill (2009).

7. Renshaw, G. Maths for Economics. Oxford University Press (2012).

8. Allen, RGD. Mathematical Analysis for Economists. Macmillan (1938).

TYBA   **Course: AECO0608**

TITLE: ADVANCED ECONOMETRICS-II

Learning Objective:
1. To understand advanced time series techniques for dynamics data analysis using R.
2. To learn time series techniques for forecasting economic variables.
3. To learn techniques for modeling volatility in stock prices.
4. To learn techniques for testing time series stationarity.

Number of Lectures: 60

Unit 1: Time Series   **[20 Lectures]**

- Components of Time Series
- Stationary and Non- Stationary Time Series
- Autocorrelation Function; Partial Autocorrelation Function; Unit Root Test of Stationarity.

Unit 2: Time Series Forecasting   **[20 Lectures]**

- Random Walk Model;Autoregressive Models, Moving Average Models; ARMA Models
- Box- Jenkins Methodology
- Cointegration &Test of Cointegration: TheEngle Granger Methodology
- Simple Exponential Smoothing Technique, Holts- Winter Method
- Modelling Volatility: ARCH and GARCH Models.

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Unit 3 : Multivariate Econometric Models   **[20 Lectures]**

- VAR Model; Distributed Lag Model
- Estimation of Distributed Lag Model: Koyck
- Adaptive Expectations and Partial Adjustment Models

References:

Gujarati, D. & Sangeetha, Basic Econometrics, McGraw Hill, Fifth Edition (2011)
Dougherty, C. Introductory Econometrics. Oxford University Press (2011)
Brooks, C. Introductory Econometrics for Finance. Cambridge University Press (2008).
Cryer, J. & Chan, K. Time Series Analysis with Applications in R. Springer (2008).
Chatfield, C. & Xing, H. The Analysis of Time Series: An Introduction with R. Taylor and Francis(2019).
Pesaran, H. Time Series and Panel Data Econometrics. Oxford University Press (2015).
Kleiber, C. & Zeileis, A. Applied Econometrics withR. Springer(2008).
Heij, C., Boer, P., Franses, P., Kloek, T., Dijk, H. Econometric Methods with Applications in Business and Economics. Oxford(2004).
G.S. Maddala, Introduction to Econometrics, Macmillan Publishing, Second Edition (1992)

Marno Verbeek, A Guide to Modern Econometrics, John Wiley, Second Edition (2004)
Walter Enders, Applied Econometric Time Series, Wiley, Third Edition (2013)

TYBA   **Course: AECO0609**

TITLE: CORPORATE FINANCIAL-II

Learning Objective:
1. To perform equity risk and return analysis.
2. To learn various portfolio theory models
3. To use portfolio theory models to calculate equity and debt cost of capital.
4. Understand the International Financial Management.

Number of Lectures: 45

UNIT I: Risk and Returns   **[15 Lectures]**

- Historical Returns of Stocks and Bonds
- Arithmetic Average Returns vs Geometric Average Returns
- Measurement of Portfolio Risk: Standard Deviation and Beta.

UNIT II: Portfolio Theory Models   **[15 Lectures]**

- Capital Asset Pricing Model (CAPM): Opportunity Set, Efficient Set, Capital Market Line,
- Security Market Line, Measurement of Systematic Risk
- Arbitrage Pricing Theory (APT): Single Factor and Multi-Factor Models
- Cost of Capital: Calculation of Equity and Debt Cost of Capital, Equity Risk Premium Measurement, Weighted Average Cost of Capital.

UNIT III: International Financial Management   **[15 Lectures]**

- Foreign Exchange Market
- International Parity Relationship
- Foreign Exchange Risk and Hedging
- International Capital Investment Analysis

First CIA: Written Test
Second CIA: Report on a Company's Financial Documents

References:

1. Pandey, I M. Financial Management. Ninth Edition
2. Bodie, Z. et al., (2009), Financial Economics, Pearson Education, New Delhi.
3. Ross, S., Westerfield, R., & Jaffe, J. Corporate Finance. McGraw-Hill (2010).
4. Berk, J. & Demarzo, P. Corporate Finance. Pearson (2014).
5. Brealy, R., Myers, S. & Allen, F. Principles of Corporate Finance. McGraw-Hill (2011).
6. Welch, I. Corporate Finance: An Introduction. Pearson (2009).
7. Damodaran, Aswath. (2007): Corporate Finance Theory & Practice, Wiley Series, New York

8. Rustogi, R. P., (2005): Financial Management, Galgotia Publishing Co.: New Delhi.
9. Hay D. A. and Moriss D., (1979), Industrial Economics, Oxford University Press

TYBA **Course: AECO0610**

Title: Indian Financial Markets

Learning Objective:
1. Understand the role of financial markets and financial instruments in Indian Financial system.
2. Learn the techniques of derivatives as financial instruments.
3. Understand the functions of various markets in financial system.
4. Learn the tools to evaluate the performance of financial system based on different parameters.

Number of Lectures: 45

UNIT 1: Derivatives **[15 Lectures]**

1. Meaning and Significance of Derivative Markets
2. Types of financial derivatives and their pricing: Forwards, Futures, Options and Swaps
3. Derivatives trading in India.

UNIT 2: Financial Instruments **[15 Lectures]**

1. Mobilising Instruments – Money & Capital Market Instruments
2. Risk Mitigating Instruments- CDOs, Securitised Papers.
3. International Instruments – ADR, GDR, Euro Bonds

UNIT 3: Segments of Financial Markets **[15 Lectures]**

1. Bond market
2. Equity market
3. Foreign exchange market

First CIA: Short answers and Concepts
Second CIA: Group Presentations

Basic Reference Book:
Indian Financial System- Bharti Pathak (3rd edition) Pearson Publications

Additional References:
1. Bhole L.M.: Financia l Institutions and Markets, Tata McGraw Hill Publications