

**MA Economics**  
**First Semester**  
**Econ. 551 Microeconomics-I**

**Credit 4**  
**Teaching Hours: 64**

**Course Objective:**

This course intends to equip the students with the methods and tools of economic analysis for giving advanced knowledge of microeconomic theory and suggesting ways to apply the knowledge in formulating and analyzing economic models and theories.

- Unit 1. Methodological Concepts** **8 Hours**  
Equilibrium: meaning and stability test; Analysis of equilibrium: static, dynamic, and comparative statics; Models in economics: definition, importance, types (economic and econometric), and choice between models; Methods of analysis: deductive, inductive, and hypothetico-deductive methods; Importance of assumptions, hypothesis, and empiricism in economics; Scientific paradigm of economics;
- Unit 2. Consumer Behavior** **16 Hours**  
Preference ordering; the consumption decision; Consumer's equilibrium (with indifference curve approach); changes in prices and derivation of compensated and uncompensated demand curves; comparative statics of consumer behavior; types of goods; concept of duality in consumer theory; the expenditure function; the indirect utility function; estimating cost of living; Lancasterian demand theory and linear expenditure system; revealed preference theory
- Unit 3. Behavior under Uncertainty** **8 Hours**  
Consumption and uncertainty; Expected utility; von Neumann-Morgenstern utility; The Allais paradox and the Ellsberg paradox; Gambling and insurance; The Friedman-Savage hypothesis; The insurance market: moral hazard and adverse selection; Reducing risk and uncertainty
- Unit 4. Technology** **14 Hours**  
Measurement of inputs and outputs; Production function for a single product; Decision period related to production analysis; Elasticity of substitution; Production with one and two variable inputs; Producer's equilibrium: optimal choice of inputs, constrained output maximization, constrained cost minimization, profit maximization, effects of changes in outlay on equilibrium position; Homogeneous and homothetic technologies; Technical rate of substitution; Returns to scale; Calculation of these values in some standard production functions such as Cobb-Douglas, Leontief, and CES; Derivation of cost function from production function

**Unit 5. Market****18 Hours**

The competitive firm, the profit maximization problem, the firm and the industry demand and supply functions, different types of cost and revenue functions, identical cost functions, market equilibrium, identical firms, short-run and long-run equilibrium, taxes and subsidies, monopoly, special cases of monopoly, comparative statics, welfare and output, quality choice, price discrimination, first-degree price discrimination, second degree price discrimination, third degree price discrimination, welfare effects, tying and bundling, monopolistic competition and cartel

**References:**

- Cowell, F. (2006): *Microeconomics: Principles and analysis*. New Delhi: Oxford University Press
- Gravell, H. and R. Rees (2004): *Microeconomics*, third edition, Pearson
- Koutsoyiannis, A. (1979): *Modern microeconomics*, second edition, Macmillan.
- Mas-Colell, A., Whinston, M.D. and Green J. (1995): *Microeconomic theory*. New Delhi: Oxford University Press
- Salvatore, D. (2009). *Principle of microeconomics*, 5th edition. New Delhi: Oxford University Press
- Varian, H.R. (2009): *Microeconomic Analysis*, third edition, first Indian edition, Viva Books

Econ. 552

**MA Economics  
First Semester  
Macroeconomics I**

**Credit 4  
Teaching Hours: 64**

**Course Objective**

The objective of this course is to provide advanced knowledge on macroeconomic analysis. Upon the completion of this course, students will be able to understand analytical tools and apply them in formulating and analyzing economic models and theories.

**Unit I: Basic Concepts 6**

Macroeconomic variables; Economic models-Static and Dynamic; Aggregation and its Problems; Macroeconomic Policy Goals

**Unit II: National Income Accounting 11**

Key Concepts of National Income Accounting; Measurement of National Income: Expenditure Approach, Income Approach and Value Added Approach; Sector Accounting; Limitations

**Unit III: Classical Theory of Income, Employment and Money 8**

Says Law of Market; Quantity Theory; Complete Classical System; Application and Limitations

**Unit IV: Keynesian Macroeconomics 8**

Keynesian Model of Closed and Open Economy; Multiplier Analysis in Two, Three and Four Sector Economy

**Unit V: Keynesian System with Money, Income, and Interest 14**

Money in Keynesian System; Complete Keynesian System; IS-LM Model: Goods and Money Market Equilibrium; Policy Effects

**Unit VI: Consumption Demand 8**

Reconciliation of Short-run and Long-run Consumption Function; Consumption- Income Relationship: Absolute income, Relative income, Permanent income, and Lifecycle hypotheses

**Unit VII Investment Demand 9**

Basic Concepts; MEC and MEI schedules; Accelerator theory; Jorgensons Theory

## REFERENCES

- Branson, W.H. (1983). *Macroeconomic theories and policy*, 2<sup>nd</sup> Edition. New Delhi: All India Book Seller
- Central Bureau of Statistics (2007). *Manual in national income accounts*. Kathmandu: National Planning Commission.
- Dornbush, R. & Fischer S. (1987.). *Macroeconomics*, 4<sup>th</sup> edition. New York: McGraw Hill Book Company.
- Froyen, R. T. (2003). *Macroeconomics: Theories and policies*, 7<sup>th</sup> Edition, New Delhi: Pearson Education.
- Levacic, R. (1978). *Macroeconomics*. London: Macmillan
- Ott, D.J., Ott, F.A., & Yoo, J.G. (1975). *Macroeconomic theory*. Tokyo: Kogakusa, McGraw Hill
- Shapiro, E. (Various edition). *Macroeconomic analysis*. New Delhi: Galgotia Publication, Pvt. Ltd.
- Surrey, MJC. (ed. ). *Readings in macroeconomics*. London: Oxford.

**MA First Semester  
Econ. 553 Mathematical Methods**

Credit: 4  
Teaching Hours: 64

**Course Objective**

This course intends to acquaint the students with some mathematical tools used in economics

**Unit I: Basic Concepts** **9**

Logarithms; Multivariate differentiation; Implicit function; Integration; Set theory; Vectors: Concepts, spaces, and linear combinations

**Unit II: Optimization** **7**

Constraint and unconstraint optimization theories and their applications in production, cost and profit analysis

**Unit III: Game Theory** **8**

Strategic behaviors; Pay off matrix; Value of Game; Saddle point; Mixed strategy; Dominant strategy ; Computation of value of game; Nash equilibrium

**Unit IV: Difference and Differential Equations** **20**

Difference and differential equations of first and second order with constant coefficients, constant term, and variable term

**Unit VI: Linear Programming** **13**

Graphic method; Simplex method; Duality theorems; Application

**Unit VII: Input-Output Analysis** **7**

Closed and Open input-output model; Dynamic Input-output model; Application

**REFERENCES**

Archibald and Lipsey ( ). *An introduction to mathematical treatment of economics*, London: ELBS

Baumal W J (1959 ). *Economic dynamics*, New York : Macmillan

Chiang, A C (1974). *Fundamental methods of mathematical economics*. Tokyo: McGraw Hill Kogakusa

Dowling, E. T.( 1992 ). *Introduction to mathematical economics*, McGraw Hill Schum's outline series

Yamane T, (1999). *Mathematics for economists: An elementary survey*, 2<sup>nd</sup> edition. New Delhi: Prentice Hall India

**MA First Semester**  
**Econ. 554 Economics of Development and Planning-I**

Total Credits: 03

Teaching Hrs: 48

**Course Objectives**

This course offers advance learning with application perspective on Economics of Development and Planning. The course focuses on contributions to theories of development that account for sustained development. Particular attention is paid to the emerging issues and policies related to domestic and international measures of development, and problems of development and planning.

**1. Perspectives on Development** (15 Lectures)

Schultz; Lewis; Rostow; Balanced; Unbalanced; People's Participation; New Development Paradigm

**2. Contemporary Development Issues** (07 Lectures)

Transition for Planned Economy to Market Economy; Conflict, Peace and Development; Aid and Foreign Direct Investment Controversies

**3. Policy Issues in Development-Domestic and International** (11 Lectures)

Measuring Poverty and Inequality; Measurement, Types, and Consequences of Unemployment; Impacts of Liberalization and Globalization, and the Role of State; The Debt Crisis

**4. Planning Implementation** (15 Lectures)

Concept and Ideology of Planning; Estimation and Use of Capital-Output Ratio; Stage and Components of Project Appraisal; Criteria and Use of Cost-Benefit Analysis; The Choice of Technique for LDCs; Benefits, Monitoring and Evaluation; Development Planning in SAARC Countries with Reference to Priorities, Constraints and Achievements

## Basic References

- Basu, K. (2002). *Analytical Development Economics*. New York and New Delhi: OUP.
- Chang, Ha-Joon (2003). *Globalization, Economic Development and Role of the State*. London: Zed Books.
- Chaubey, P.K. (1995). *Poverty Measurement : Issues, Approaches, and Indices*. New Delhi: New Age International (P) Limited Publishers.
- Dale Reidar (2004). *Development Planning*. New Delhi : Academic Foundation.
- Dallor, D and Paul Collier (2001). *Globalization, Growth and Poverty: Building an Inclusive World Economy*. Washington: The World Bank, OUP.
- Das, Gupta, Ajit K. and D.W. Pearce (1978). *Cost-Benefit Analysis: Theory and Practice*. London: ELBS/Macmillan.
- Hayami, Y. (1997). *Development Economics*. New York: OUP.
- Karna, Sohan Kumar (2007). *Economic Planning Theory and Practice*. Kirtipur: Quest Publication.
- Little, I.M.D. and J.A. Mirrless (1974). *Project Appraisal and Planning for Developing Countries*. London: Heinemann.
- Meier, G.M. and J.E. Rauch (2000). *Leading Issues in Economic Development*. New York: OUP.
- Potts, David (2005). *Project Planning and Analysis for Development*. New Delhi: VIVA Books Private Limited.
- Pyakuryal, Bishwambher and Rabi Sainju (2007). *Nepal's Conflict: A Micro Impact Analysis on Economy*. Kathmandu.
- Ray, D. (2003). *Development Economics*. New Delhi: OUP.
- Sen, A.K.(1992). *Inequality Reexamined*. Oxford: OUP.
- Stiglitz, J.E. (2002). *Globalization and Its Discontents*. Penguin Books.
- Subramanian, S. (2000). *Measurement of Inequality and Poverty*. Delhi: OUP.

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- World Bank (2002). *Globalization, Growth, and Poverty: Building an Inclusive World Economy*. New York: The World Bank and The Oxford University Press.