

UPSC Mains Economics Optional Paper-I Syllabus

1. Advanced Micro Economics:

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

2. Advance Macro Economics:

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

3. Money-Banking and Finance:

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

(b) **Public Finance and its Role in Market Economy:** In stabilisation of supply, allocative, of resources and in distribution and development. Sources of Government revenue, forms of Taxes and Subsidies, their incidence and effects. Limits to taxation, loans, crowding-out effects and limits to borrowings. Public expenditure and its effects.

4. International Economics:

- (a) Old and New Theories of International Trade.
 - (i) Comparative advantage,
 - (ii) Terms of Trade and Offer Curve.
 - (ii) Product Cycle and Strategic Trade Theories.
 - (iv) 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 Adjustment: Alternative Approaches.
 - (i) Price versus income, income adjustments under fixed exchange rates.
 - (ii) Theories of Policy Mix.
 - (iii) Exchange rate adjustments under capital mobility.
 - (iv) Floating Rates and their Implications for Developing Countries: Currency Boards.
 - (v) Trade Policy and Developing Countries.

- (vi) BOP, adjustments and Policy Coordination in open economy macro-model.
- (vii) Speculative attacks.
- (viii) Trade Blocks and Monetary Unions.
- (ix) WTO: TRIMS, TRIPS, Domestic Measures, Different Rounds of WTO talks.

5. Growth and Development:

- (a)(i) Theories of growth: Harrod's model;
 - (ii) Lewis's model of development with surplus labour.
 - (iii) Balanced Unbalanced Growth.
 - (iv) Human Capital and Economic Growth.
 - (v) 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.

