


Entrance Guide 2022



Master of Arts in Economics

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A photograph of students in a classroom or meeting room. In the foreground, a woman with glasses and a black top is smiling and looking towards the right. Behind her, another woman with long dark curly hair is looking forward. In the background, a man in a blue shirt is gesturing with his hands while speaking. A silver laptop is open on a light-colored wooden table in the foreground. The right side of the image is overlaid with a semi-transparent blue box containing text.

Students applying for the MA in Economics will need to pass an entrance test. The entrance test will consist of multiple choice questions and an essay question.

The multiple choice questions will test definitional and conceptual foundational economics knowledge from microeconomics, macroeconomics, quantitative methods, political economy and the Indian economy.

The duration of the test is 3 hours.

Test Preparation

Below is a list of topics, along with suggested textbooks/readings, to help prepare for the exam. This is not an exhaustive list, but should largely cover the material you will be tested on.

Microeconomics

Game theory: Coordination problems, **Nashequilibrium, Pareto efficiency, standard** game theoretic models. Social norms, trust and strategic interactions: Ultimatum games, public goods games. Market, government and community-based solutions to coordination problems.

Theory of individual behaviour: Preferences, **utility, utility functions, indifference curves,** marginal rate of substitution, constrained **optimisation, income and substitution effects, offer curves and demand curves.**

Firms: Specialisation, economies of scale, cost **minimisation and profit maximisation. Supply** curves. Competition - Cournot, Bertrand models, perfect competition and monopolies.

Markets: Walrasian equilibrium and its assumptions.

Risk and uncertainty: Expected utility theory, risk-averse, risk neutral and risk-loving preferences, certainty equivalent and

risk premium of a lottery. Dealing with risk - insurance.

Information: Incomplete contracts, principal agent models, adverse selection and moral hazard, contingent contracts as a solution to information asymmetry, labour discipline model.

Social welfare and public economics: Different conceptions of social welfare - utilitarian, Rawlsian. First and second welfare theorems. Externalities and public goods. Coasian and Pigouvian solutions to externalities. Taxation, **tax incidence, deadweight loss, efficiency and equity** considerations.

Recommended reading

CORE textbook available at: <https://core-econ.org/the-economy/?lang=en>

Macroeconomics

National income accounting: national income identities, expenditure based, income based and value added approach, sectoral balances, components of aggregate demand.

Fiscal and monetary policy: Keynesian aggregate expenditure approach, tax and expenditure based multipliers, balanced budget multiplier, Ricardian equivalence, interest rate policy, monetary transmission mechanisms, external and internal constraints to expansion, balance of **payment constrained growth, inflation targeting,**

Taylor rule. AD-AS and IS-LM models.

Philips curve, rational expectations, adaptive expectations: relationship between **unemployment and inflation, historical** experience, NAIRU, breakdown of naïve Philips curve.

Theories of inflation: demand pull and cost push **inflation, output gaps.**

Solow growth model: Steady state growth, productivity growth, convergence.

Neoclassical and new classical macroeconomics: rational expectations, Lucas critique, vertical LRAS

Recommended reading

CORE textbook available at: <https://core-econ.org/the-economy/?lang=en>

Froyen, Richard. Macroeconomics: Theories and Policies (any edition): Chapters 3-12 from the 9th edition

Quantitative methods

Graphs and tables: basic data interpretation from histograms, trends, scatter plots and tables.

Descriptive statistics: Parameters and sample statistics, mean, median, variance, covariance and correlation.

Probability: random variables, probability distributions, Common probability distributions such as Binomial, Poisson, Normal, Gamma, Exponential, Chi-square, t distribution, F distribution, conditional probability, independence, sampling, sampling distributions of sample mean and sample variance, point **and interval estimation, confidence intervals for** population parameters.

Hypothesis testing: distributions of test statistics, Type I and Type II errors, power of a test, tests for comparing parameters from two samples, t-tests, basics of ANOVA

Multivariate regressions: OLS, interpreting regression results, economic and statistical **significance, dummy variables and** interaction terms.

Recommended reading

Introduction to Mathematical Statistics by

Richard Larsen and Morris Marx

Probability by Sheldon Ross

Indian economy and political economy

Planning and major economic reforms: Five year plans, Industrial policies, Green revolution.

Growth: Structure of the economy, Structural change, Pre and post economic reforms in early 1990s, Sustainability and environmental impacts

Employment: Employment elasticity, Jobless growth, Occupational segregation, Discrimination in labour markets

Poverty and Inequality: Measures and trends

Social Protection Policies: Public distribution system, MGNREGA

Recommended reading

Datt, Gaurav and Ashwani Mahajan. 2016. **Datt & Sundharam's Indian Economy**. S. Chand **Publishing. (any edition is fine)**

State of Working India Report 2018 and 2019:

Available for download (free) at: <https://cse.azimpremjiuniversity.edu.in/state-of-working-india/>

Supplemental reading

Kapila, Uma. 2019. **Indian Economy: Performance and Policies**. Academic Foundation. **(any edition is fine)**

Frankel, Francine. 2006. **India's Political Economy**. Oxford: Oxford University Press.

Economic and Political Weekly. 2017. **25 Years of Economic Liberalization. Vol. 52(2).**

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