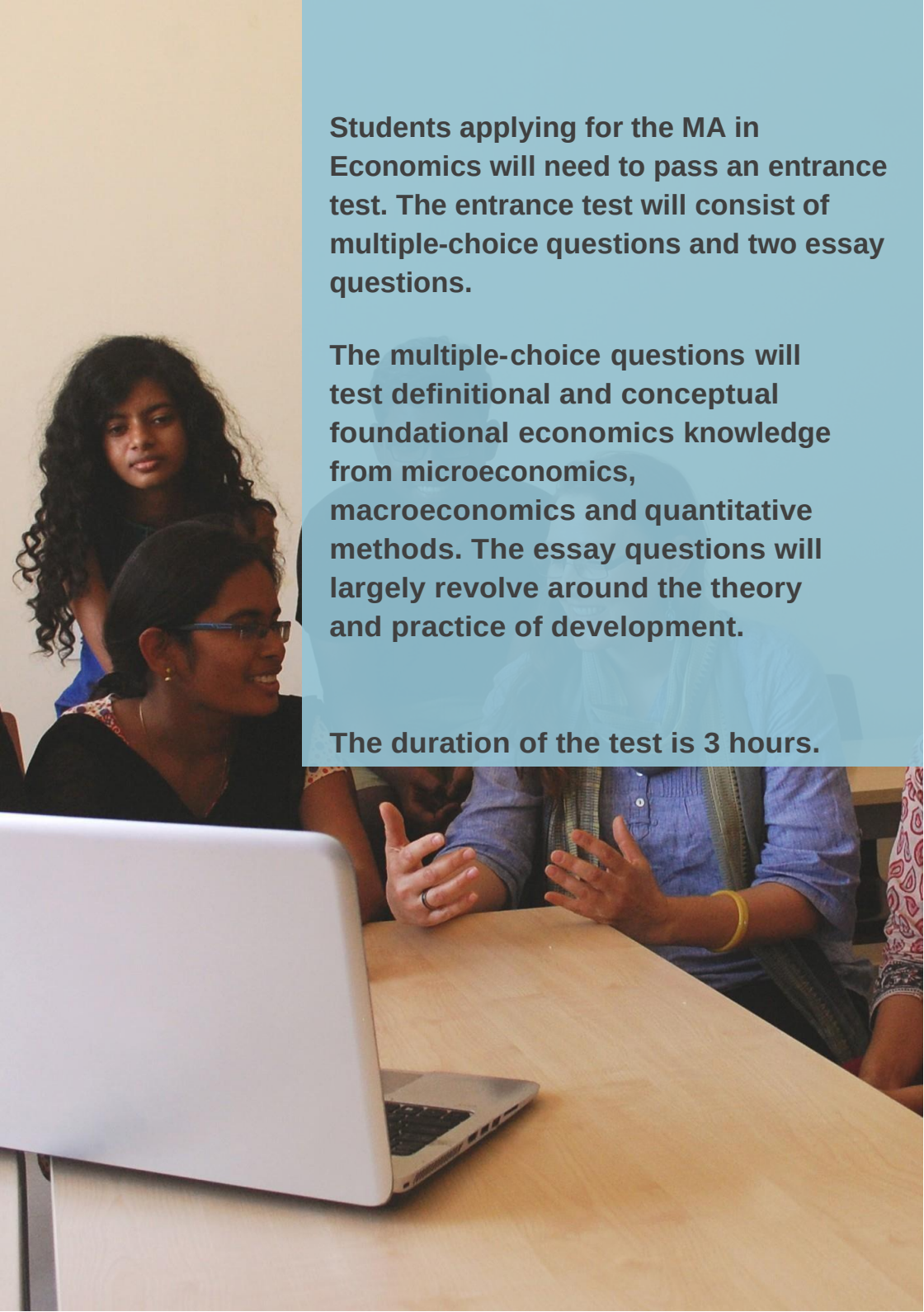
Azim Premji University

Entrance Guide 2023

Master of Arts in Economics

https://azimpremjiuniversity.edu.in/programmes/ma-in-economics



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

The multiple-choice questions will test definitional and conceptual foundational economics knowledge from microeconomics, macroeconomics and quantitative methods. The essay questions will largely revolve around the theory and practice of development.

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. We updated this Guide to include what students should be able to demonstrate their knowledge of the real-world economic problems. This Guide also helps standardize the types of questions on entrance test, so we do not ask questions which are not assessing skills or knowledge we aim to.

Microeconomics

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.

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

Essay Questions

Employment: Employment elasticity, Jobless growth, Occupational segregation, Discrimination in labour markets
Poverty and Inequality: Measures and trends
Social Protection Policies: Public Distribution System, MGNREGA
Economics and the Environment: Environment and development, Sustainable development discourses, Economic models of Environment Issues
Development theories and Growth models

Recommended readings

State of Working India Report 2018, 2019, 2021: Available for download (free) at: https://cse. azimpremjiuniversity.edu.in/state-of-working-india/

Todaro, M.P., & Smith, S.C. (2020). *Economic Development.* (13th ed.) Harlow: Pearson Education Limited

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