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 Thomas, V., 2000, The Quality of Growth, Oxford University Press, New York.  
 Wade, R., 2001, "Global Inequality: Winner and Losers," The Economist, April 2001.  
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## **DE 521: Microeconomic Analysis II**

**Credits:3**

### **Aims and Objectives**

The course contributes greatly to the theoretical foundation of the core subject of the study programme. Concepts, theories and diagrammatical representations covered in the course constitute the most important tools the students can make use of in their academic and professional pursuits relating to economic affairs.

### **Course Outline**

#### **Unit 1: Alternative Theories of the Firm**

Baumol's sales revenue maximization model; Williamson's model; H.A. Simon's model; Marris Model; Bain's model; Hall and Hitch model; Cyert and March model.

#### **Unit 2: Distribution Aspects**

Factor pricing; monopsony and bilateral monopoly; marginal productivity theory; theories of rent; wages; profit and interest; labour unions and collective bargaining.

#### **Unit 3: Welfare Economics**

Criteria of social welfare; Pareto optimality; Pigouvian welfare economics; compensation principle; Arrow's theorem.

#### **Unit 4: General Equilibrium**

General equilibrium; Walrasian model; two-sector model.

#### **Unit 5: Economics of Uncertainty**

Risk behavior; risk aversion; gambling; insurance; portfolio selection; consumption and competitive firm under uncertainty.

### **References:**

Ahuja, H.L., 2006, Advanced Micro Economic Theory, Sultan Chand and Company, New Delhi.  
 Archibald, G.C., 1971, Theory of the Firm, Penguin, Harmondsworth.  
 Bain, J., 1958, Barriers to New Competition, Harvard University Press, Harvard.  
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 DaCosta, G.C., 1980, Production, Prices and Distribution, Tata Mc Graw Hill, New Delhi.  
 Henderson, J.M. and Quandt, 1980, Micro Economic Theory: A Mathematical Approach, McGraw Hill, New Delhi.  
 Koutsoyiannis, A. 1979, Modern Microeconomics, Macmillan Press, London.  
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 Stigler, G., 1996, Theory of Price, Prentice Hall of India, New Delhi.  
 Varian, H. 2000, Microeconomic Analysis, W.W. Norton, New York.

## **DE 522: Macroeconomic Analysis II**

**Credits:3**

### **Aims and Objectives**

This course intends to make the students gain more scientific and empirical knowledge of economics and to properly comprehend different economic issues and policies at the aggregate level. It aims at training the students in economic analysis and helping them understand and deal with economic changes and challenges with confidence.

### **Course Outline**

#### **Unit 1: Demand for Money**

Classical, Keynesian and post-Keynesian views; Patinkin real balance effect; approaches of Baumol, Tobin and Friedman.

#### **Unit 2: Inflation and Deflation**

Concept and meaning of deflation and inflation; classical, Keynesian and monetarist approaches to inflation; structuralist theory of inflation; Phillips curve analysis; short-run and long-run Phillips curve; Tobin's modified Phillips curve; adaptive expectations and rational expectations; Policy measures to control inflation.

#### **Unit 3: Business Cycles**

Theories of Schumpeter, Kaldor, Samuelson and Hicks; Goodwin's model; control of business cycles; relative efficiency of monetary and fiscal policies.

#### **Unit 4: Neoclassical Macroeconomics**

The neoclassical critique of micro-foundations; the neoclassical approach; policy implications of neoclassical approach - empirical evidence.

#### **Unit 5: Macroeconomic Situation and Trend in Nepal**

Macroeconomic changes-e.g., imbalances; structural adjustments; macroeconomic policy reforms.

### **References:**

- Ackley, G, 1978, Macroeconomics: Theory and Policy, Macmillan, New York. Branson, W.A., 1989, Macroeconomic Theory and Policy, Harper and Row, New York. Dornbusch, R. and F. Stanley, 1997, Macroeconomics, McGraw Hill, New York. Glahe, F.R., 1973, Macroeconomics Theory and Policy, Harcourt Brace Jovanovich, New York. Gurley, J. and E.S. Shaw, 1960, Money in a Theory of Finance, Brookings Institution, Washington.
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- Levacic, R. and A. Rebman, 1986, Macroeconomics: An Introduction to Keynesian and Neoclassical Controversies, Macmillan, London.
- Lucas, R., 1981, Studies in Business Cycle Theory, MIT Press, Cambridge, Massachusetts. MoF, 2010, Economic Survey, Ministry of Finance (MOF), Kathmandu.
- NPC (National Planning Commission), Nepal, Various publications.
- NRB (Nepal Rastra Bank), Various publications.
- Rakshit, M., 1998, Studies in the Macroeconomics of Developing Countries, Oxford University Press, New Delhi.
- Reddy, Y.V., 2000, A Review of Monetary and Financial Sector Reforms in India: A Central Banker's Perspective, UBSPD, New Delhi.
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- Shapiro, E., 1996, Macroeconomic Analysis, Galgotia Publications, New Delhi.
- Surrey, M.J.C. (ed.), 1976, Macroeconomic Themes, Oxford University Press, Oxford.

## DE 523: Economics of Development II

Credits:3

### *Aim and Objective*

This course intends to impart advanced knowledge on the economics of development and upon completion of the course the students would have significantly widened and deepened their understanding of relevant issues, thereby strengthening their competence and confidence in the related subject matter for theoretical as well as practical application when required.

### Course Outline

#### **Unit 1: Economic Development of Rural and Urban Areas**

Economic development and the rural economy; rural credit and land markets - microcredit and self-help groups (SHGs); employment and income diversification in rural economy; role of the rural nonfarm and off-farm sectors; economic development; agriculture and rural development; rural-urban migration and the urban informal sector.

#### **Unit 2: Economic Institutions and Economic Development**

Market and economic development; market failure - problem of moral hazard; governance and economic development; government failure and its remedies; commodity and economic development - management of common property resources, commodity failure and its remedies; globalization and economic development - challenges and opportunities; world trade organization (WTO) and the world trade; international movement of labor and capital and the impacts.

### **References:**

- Bardhan, P. and C. Udry, 1999, Development Microeconomics, Oxford University Press, New York.
- Barro, R. and X. Sala-i-Martin, 2001, Economic Growth, MIT Press, Massachusetts.
- Basu, K., 1984, The Less Developed Economy, Basil Blackwell, London.
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- Chadha, G.K., 2002, Rural Non-Farm Employment in India: What Does Recent Experience I Teach Us?.
- Deininger, K. and L. Squire, 1998, "New Ways of Looking at Old Issues: Inequality and C Growth," Journal of Development Economics, Vol. 57, No.2, pp.259-287.
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- Forbes, K.J., 2000, "A Reassessment of the Relationship between Inequality and Growth," American Economic Review, Vol.90, No.4, pp.869-887.
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- Lewis, W.A., 1955, The Theory of Economic Growth, George Allen and Unwin, London.
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- Nafziger, ?, 2006, Economic Development, Cambridge University Press, New York.
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Sen, 4.K. 1981, Poverty and Famines: An Essay on Entitlement and Deprivation. Clarendon Press.

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Thirwall. A.P., 1999, *Growth and Development*, Macmillan, London.

Todaro, M. and S.C. Smith, 2008, *Economic Development*, Peason, New Delhi.

UNDP Human Development Report, *United Nations Development Programme (UNDP). various years/issues.*

UNDPIN, *Nepal Human Development Report, UNDP/Nepal, Kathmandu, various years/issues.*

Wade, R., 2001, "Global Inequality: Winner and Losers," *The Economist*, April 2001.

## **DE524: Practical Workshop and Field-based Study cum Seminar II**

Credits:3

### *Aim and Objective*

The objective of this course is to impart students with practical knowledge, exposure and experience relating to various dimensions of the subject of development economics. The aim is to enhance their analytical and presentation skills, knowledge base and confidence level essential to work effectively in their academic and professional life.

### Course Conduct Pattern

### **Time Allocation and Schedule**

This course will occupy a total of four hours every working week for its classroom discussion part. Depending upon the availability of time and suitability, the four-hour period time could be used either in a single day or divided in four separate sessions of one hour on any four days of the working week.

### **Discourse, Deliberations and Output**

Upon completion of a few hours of introductory sessions, the students will be asked to compile a set of statistical figures (data) on the major economic sectors (e.g. agriculture, industry) of Nepal, along with regional comparisons, based on relevant publications of the Central Bureau of Statistics (CBS), and prepare a write-up with an interpretation of the figures used. Each student will submit to the instructor one such output each week, two days prior to the forthcoming classroom discussion/seminar. The submitted materials must be the respective students' individual work not tallying with the ones submitted by others in the class. In case of collision the concerned students will be asked to submit another work confirming independent work.

The students will put their respective materials in presentation formats - preferably power- point ones - for presentations before the class. Each presentation will entail a brief question- answer/discussion. All materials submitted will be compile and made available as references

for the students and others interested in the subjects.

### **Short Visits and Guest Lectures**

One or two brief field visits could also be arranged now and then in lieu of the respective proximate locations for the students and instructor to make comfortable and amicable day's classroom presentation session provided there are relevant cases to be observed in visit. Such visits would require students to make their individual notes for presentation and submission in the following classroom discussion session. The instructor could also decide to and arrange one or two guest lecture sessions in lieu of regular sessions depending upon the availability of guest lecturers to make relevant and interesting presentations.

### **Field-based Study**

Towards the end of the semester in which this course is offered, the students will make a study visit to one or just a few locations in proximity to each other in a prosperous hill mountainous district of the Eastern Development Region (EDR) of Nepal. They will make observation of the area(s) and the various economic activities and situations around and prepare notes for presentation in written and report (presentation) format individually. They will also take structured interviews of concerned local people and have focus discussions. Prudent picture- and video-takings and uses could be greatly supplemental in this regard.

### **Assessment/Evaluation**

The instructor in charge will allocate appropriate percentage of marks to each of the major activities required and record performance scores for individual student, thus coming up with the final scores based on the overall evaluation of each of the students.

## **DE 525: Statistics for Economists I**

Credits:3

### *Aim and Objective*

The aim and objective of this course comprise offering the students the knowledge about the theory and the skill on the application of basic statistical methods for economic analysis. Course Outline

### **Unit 1: Introduction to Statistics**

Definition, types, scope, functions and limitations; sources and types of data; classification and techniques; formation of frequency distribution - definition, types, illustrations; diagrammatic and graphical presentation of data; institutional arrangements for statistical data in Nepal.

### **Unit 2: Descriptive Statistics**

Central measures definition, types (mean, median, mode, geometric mean, harmonic mean, progressive average, moving average), merits and demerits, uses and applications of central measures; dispersion measures - definition and types; Range, QD, MD, SD and t Lorenz curve - merits and demerits; uses and application; absolute and relative measures.

### **Unit 3: Correlation and Regression Analysis**

Correlation - concept, types, measures and uses; regression - definition, types and equations properties of regression co-efficient and their uses; association of attributes; Yule's Coefficient of association and coefficient of contingency.

### **Unit 4: Sampling Techniques**

Census versus sampling; basic concepts of sampling; types of sampling - random and non-random sampling techniques; determination of sample size, characteristics; sampling and non-sampling errors; judging the reliability of sample; Sampling distribution and A standard error; uses of standard error.

### **Unit 5: Hypothesis Testing**

type I and type II errors; levels of significance; parametric test - small and large sample tests; analysis of variance (ANOVA); non-parametric test - Chi-square test, goodness-of-fit, run test and median test.

### **References:**

Agarwal, Y.P., 1988, Statistical Methods: Concepts, Applications and Computations, G Sterling Publishers, New Delhi.

Blalock, H. M., 1981, Social Statistics, McGraw Hill, London.

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## **DE 526: Econometrics I**

**Credits:3**

### *Aim and Objective*

This course provides students with the knowledge of basic econometrics that will enable them to apply the econometric skills and techniques in explaining their arguments and presentations in more concrete and empirical manner and thus support to acquire and perform rewarding professional responsibilities.

### *Course Outline*

#### **Unit 1: Basics of Econometrics**

Nature, meaning and scope of econometrics; distinction between econometrics and statistics; two-variable linear regression model - assumptions, estimation through OLS; properties of estimators; Gauss-Markov theorem; method of maximum likelihood general linear regression model - assumptions, estimation and properties of estimators; R<sup>2</sup> and adjusted R<sup>2</sup>; generalized least square; problems of heteroscedasticity, autocorrelation, multicollinearity - nature, consequences, detection and remedial measures.

#### **Unit 2: Regression with Qualitative Variables and other Techniques**

Dummy variable; testing structural stability of regression models; dummy variable trap; regression with dummy dependent variables; LPM, Logit, Probit and Tobit models and their applications; estimation of non-linear equations and some specific functions like parabolic, exponential, geometric, hyperbolic, modified exponential; Gompertz and logistic functions; principal component analysis.

#### **Unit 3: Dynamic Econometric Model**

Autoregressive and distributed lag models; Koyck's approach, partial adjustment and adaptive expectations model, instrumental variables; problem of auto-correlation; application - Almon approach to distributed-lag models; error correction model (ECM), causality, Granger test and Sim's test, exogeneity and its testing.

#### **Unit 4: Some Applications of Single Equation Models**

Application of single equation technique in demand analysis; the aggregation problem; Engle's law; Slutsky's theorem; the consumer's allocation problem; model in relative prices; and aggregation over consumers; estimation of demand functions under different conditions; properties of the estimator; static and dynamic analysis; estimation of consumption function; cross section and time series; estimation of production functions - Cobb Douglas and CES.

#### **References:**

Baltagi, B.H., 1998, Econometrics, Springer, New York.  
 Chow, GC., 1983, Econometrics, McGraw Hill, New York.  
 Goldberger, A.S., 1998, Introductory Econometrics, Harvard University Press, Cambridge. Green, W., 2000, Econometric Analysis, Prentice Hall of India, New Delhi. Gujarati, D.N., 1995, Basic Econometrics, McGraw Hill, New Delhi.  
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