

9. Foreign Exchange Markets :

Structure and functions of foreign exchange markets; Exchange rate determination; Foreign exchange transactions; Forward exchange market; Hedging; speculation and arbitrage; option and futures markets; Theories of Exchange rate determination – Purchasing power parity theory; Asset market approach.

10. Balance of payments and Adjustment Mechanism:

BOP- Meaning and components; equilibrium and disequilibrium; The process of adjustment under flexible exchange rate system and fixed exchange rate system; Expenditure reducing and expenditure switching policies and direct controls; Devaluation – elasticity and absorption approaches; Foreign trade multiplier; Monetary approach to the balance of Payments.

11. International Monetary Institutions:

Types of International monetary system; Evolution, operation and collapse of Bretton Woods system; International Monetary Fund (IMF); International Bank for Reconstruction and Development (IBRD); Euro currency markets; Euro bond market.

12. Public Bads and Externalities:

Environmental Problems-Individual and social preferences regarding environmental protection; sustainability; biocentrism; Pareto criterion; compensation principle; Efficiency and competitive markets-failure; public goods and bads; optimal provision and pricing of public goods and bads; externalities; Property rights; Coase theorem; Pigovian fees.

13. Measurement of Environmental value:

Concept of natural resources; valuation methods; Market pricing approach; replacement cost approach ; hedonic price approaches ;household production function approach ; contingent valuation method experimental markets. Rationale for environmental regulation; Regulatory framework-general pollution control model; damage and abatement cost functions.

14. Correlation and Regression :

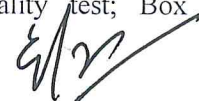
Correlation and Regression Analysis; Property of estimators. Testing of regression-Gauss Markov theorem; interval Estimation and hypothesis testing test of significance and Confidence interval Approach. Nature, test consequences and remedial steps of problems of Heteroscedesity; multicollinearity and auto-correlation; problems of specification error and error of measurement.

15. Probability and Frequency Distribution:

Meaning and definition of probability; Probability Rules—Addition and multiplication rule; Conditional Probability; Frequency distribution—binomial, Poisson, normal and Chi-Square Distribution (mean; standard deviation and their applications). The Hypothesis Testing Process; One tailed and two tailed tests; type I and type II error; t, Z, F and χ^2 tests; Chi square goodness of Fit; Analysis of variance (one way and two way analysis);

16. Econometric Models:

Dummy variables techniques and qualitative dependent variable models—logit and probit models. Auto regressive and distributed lag models- koyek; partial adjustment and adaptive expectations. Simultaneous equations- problem; estimation- Indirect Least Square, Two Stage Least Square; Time series- stationery; unit root; Dickey fuller test; co-integration; causality test; Box Jenkins methodology.



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