Lomonosov Moscow State University

Moscow School of Economics

Master's programme, Subject Area « **Economics** »

Admission Exam Programme «**Global Economics and Finance**»

ECONOMIC THEORY

GENERAL PART

Economic Analysis Tools.

The concept of an economic model (theory) as the main tool for identifying basic economic relationships. The role of abstraction (simplifying assumptions) in the formation of economic models. Gradual complication of models as a manifestation of the universal scientific method research consisting of a movement from the abstract to the concrete. Model like scientific hypothesis before comparing the conclusions arising from it with facts real life. Econometric models and their verification based on specific data. Characteristics of the main types of data used in economic theory: time series, groupings. Index method data presentation. Nominal and real variables in economics

analysis. The tradition of using graphical graphics in micro- and macroeconomics interpretation of economic models. Method of comparative statics, its advantages and limitations.

Production theory, theory of costs and profits and supply in perfect competition.

Production function. Marginal rate of technological substitution. Average and marginal resource products. Change in output in the short-term and long-term period. Scale effect. Cost as a function of the quantity and value of resources. The principle of minimizing costs. Cost as a function of output. Total, average and marginal costs in short-term and long-term period. Maximization of profit as a function of the amount of resources. Maximization of profit as a function of output. Firm supply in short-term and long-term period. Supply of a competitive industry.

Externalities, Public Goods, and Common Resources.

Market structures.

Perfect competition equilibrium, consumers' and producers' surplus, Pareto efficiency. Market regulation of perfect competition: specific tax, subsidies, sales restriction, setting a price ceiling, setting a lower price limit.

Monopoly. The market power of a monopolist. Monopoly and social effectiveness. Regulation of monopoly: taxation, setting the price ceiling. Monopolistic behavior: price discrimination of the first, second and third degree.

The concept of a non-perfectly competitive firm. Two types of non-perfect competition:

oligopoly and a sector of monopoly competition.

Monopolistic competition: the traditional model of product differentiation, linear model of spatial differentiation of the product. The conditions for the existence of a monopoly competition sector (a lot of small firms, free "entry" and "exit", diminishing demand curve for the products of each firm. The causes that generate the non-horizontal character of the demand curve for the output of these firms. The mechanism of a "tangency equilibrium" under the conditions of monopoly competition. Particular features of the firm's monopoly power manifestation under these conditions.

Oligopoly. Strategic behavior and oligopoly: a conflict between the desire for a collusion and competition. A kinked demand curve in an oligopoly. The Cournot equilibrium. The significance of the games theory for describing the behavior of oligopolies. Natural and engineered barriers to the competitors' "entrance" into the sector. A classical view of the factors that lay the groundwork for market structures. The role of a marginal scale of output and of the concentration of production connected therewith. Corrections entered by the new industrial economics: the role of the firms' behavior and of potential competition for the formation of the market structure.

Macroeconomic indicators.

The main macroeconomic indicators. Real and nominal indicators. Circulation of goods and resources, income and expenditures in the economy. Gross domestic product (GDP) and total output. Methods for measuring GDP. Consumer price index and inflation.

Economic growth and fluctuations in business.

Macroeconomic instability: unemployment and inflation. Identifying Unemployment; reasons for unemployment.
The Classical theory of inflation. The cost of inflation. Inflation targeting policy and it's economic costs. The trade-off between Inflation and Unemployment: the Phillips curve.
The economic growth. Factors of economic growth.

Fiscal policy.

The state budget. Types of public revenues and expenditures. Proportional and lump-sum taxes. Public procurement of goods and services. State transfers. Public expenditure and taxes in the Keynesian cross model. Expenditure multiplier. Tax multiplier. Budget deficit and its types.

Foreign Currency Exchange Rate.

Exchange rate: Nominal and Real Exchange Rate. Purchasing Power Parity. Factors affecting the real exchange rate. Exchange rate regimes. Characteristics and types of foreign exchange markets. Participants of the foreign exchange market. Open currency position.

Financial Markets.

Types and functions of financial markets. International financial market: the international securities market and international foreign exchange market. Financial Intermediaries. The role of financial intermediation in ensuring the effectiveness of economic development. Financial system regulation.

Monetary Policy and Regulation of the Banking System.

Central bank: mission, role, and functions. Central Bank of Russia and Monetary Policy. Banking supervision and regulations of banking activities. Types of banks and non-bank credit institutions. Lending to corporate clients and individuals: application of financial ratios (calculation of indicators and their application for assessing the reliability of the client). Financial intermediaries in the market and their role in the distribution of financial resources.

The International Flow of Capital.

The Market of Loanable Funds. The International Flows of Goods and Capital. The Consequences of International Capital inflows into Domestic Market. Transnational Corporations. Risks Associated with the International Capital Flows. Regulation of International Capital Flows.

Recommended Literature :

1. Gregory Mankiw: Macroeconomics, Worth Publishers; Eleventh edition, 2021
2. Frederic S. Mishkin: The Economics of Money, Banking and Financial Markets, The Pearson, 5th edition, 2018

SPECIAL PART

Economic Analysis Tools.

The role of abstraction (simplifying assumptions) in the formation of economic models. Gradual complication of models as a manifestation of the universal scientific method research consisting of a movement from the abstract to the concrete. Model like scientific hypothesis before comparing the conclusions arising from it with facts real life. Econometric models and their verification based on specific data. Characteristics of the main types of data used in economic theory: time series, groupings. Index method data presentation. Nominal and real variables in economics

analysis. The tradition of using graphical graphics in micro- and macroeconomics interpretation of economic models. Method of comparative statics, its advantages and limitations.

Uncertainty and risk in the economy.

Concepts of uncertainty and risk. Negative attitude towards risk (risk aversion) and its connection with the concept of diminishing utility. Insurance as a way risk distribution. The capital market as a tool for risk distribution. Uninsurable risks as a manifestation of one of the “market failures”. Problems "moral hazard" and "adverse selection"

selection). Social insurance options. Speculative markets as spatial or temporal instruments movement of goods and services from surplus to deficit (arbitrage between markets that are spatially distant from each other, speculative activities aimed at making a profit from possible price changes in time). Speculation and risk sharing; risk hedging. Role speculation in utility maximization. Negative aspects of speculative behavior.

Open discussion questions.

Discussion on international economics and global economic project:

- Belt and road initiative, BRICS, ASEAN and etc. ;
- Goals of monetary policy and its instruments;
- The major local and international challenges for banking industry;
- The factors affecting market value of the company;
- The financial downturn and investors' behavior;
- The transnational companies and their objectives and etc.