

ECONOMICS

Instructor: Daur Zukhba (dszukhba@hse.ru)

COURSE DESCRIPTION

Subject №	Topic	Total hours on discipline	Classroom hours		Independent work
			Lectures	Seminars	
Section I Foundations of Economic Theory					
1	Economics as a theory and as an applied science. Thinking like an economist.	6	2	2	2
Section II Microeconomics					
2	Is Marginalism an applicable theory?	6	-	2	4
3	Demand, supply and their interaction	8	2	2	4
4	Alternative microeconomic models of the firm	6	-	2	4
5	How do market structures work / How function market structures	6	2	-	4
6	General equilibrium of competitive markets and its failure	6	-	2	4
Section III Macroeconomics					
7	The Keynesian revolution as a response to market failures	6	2	-	4
8	Aggregate Demand and Aggregate Supply	6	-	2	4
9	Keynesian vs classical concept of macroeconomic equilibrium.	6	2	-	4
10	IS - LM model.	6	-	2	4
11	Macroeconomic models of economic development cycles.	8	2	2	4
12	Employment policy and the role of regulation in ensuring labor market equilibrium.	6	-	2	4
13	Government macroeconomic policy	10	4	-	6
14	Economic theory frontiers	8	-	2	6
Together :		76	36		40
			16	20	

Section I Foundations of Economic Theory

Topic 1. Economics as theory and as applied science. Thinking like an economist.

What is studying economics? Subject and methods of economics. Principles of Economics.

Why economics is one of the potentially practice oriented and applied sciences. Economic theory and economic policy. The role of economic agents' expectations. Positive and normative analysis. Rational behavior. Micro- and Macroeconomics

Aggregation. Model of circular flows.

Free and economic goods. Factors of production. Income of the factors of production owner's. The limitation (scarcity, rarity) of the factors of production and the immensity of the needs: the problem of choice.

Production possibility frontier and social choice. Opportunity cost. Comparative advantage. The division of labor, specialization and exchange/trade.

Basic economic questions and answers on them in different economic systems.

Bases of economic theory: a new economic rationality, utility function; uncertainty and risk; time and cycles; equilibrium and disequilibrium; interpretation of the measurements and test of the theory; and information theory.

Interdisciplinary relations: economic theory and philosophy, mathematics, semiotics, linguistics, logic, psychology, political science, law, history.

Stages of development of economic theory's methodology: early positivism, dialectics from abstract to concrete, late positivism, post positivism. What methodology is needed to economists?

Revolutions in the development of economic theory.

What does it mean: think like an economist.

Section II Microeconomics

Topic 2. Is Marginalism an applicable theory?

Case: Sweets in a class room

Case: Is it better to give poor people cash or food stamps?

The utility in economic theory and the problem of its measurement. The concept of the needs of their types. The economic goods and their classification. The concept of utility, its characteristics and the way to achieve it. Total and marginal utility. Utility function as the relationship between the number of units consumed and the level of benefits of utility, which is achieved by the consumer.

The law of diminishing marginal utility of goods. The law of diminishing marginal utility of the good, its graphic representation.

Optimization of consumption in a plurality of consumable goods. The impact on consumer behavior of budget constraints and price. The essence of rational consumer choice.

Equilibrium of the consumer with the cardinal position. The concept of consumer equilibrium. Model kit consumption goods. Gossen's laws.

The concept of demand for goods. Individual demand for good.

Consumer's Choice.

Indifference curves and its characteristics.

The marginal rate of substitution for goods. Budget line. Budget constraint.

Consumer reaction to changes in income and prices of goods. "Income - Consumption" model. Engel curve. Engel's Law. "Price - Demand" model.

Topic 3. Demand, supply and their interaction

Demand and demand law. Elasticity. Supply and the law of supply. The interaction of supply and demand at the micro level.

Case of innovative products

Topic 4. Alternative microeconomic models of the firm

Firm as decision making center. The nature and behavior of firms. Production function/ Isoquant maps. Cost of production. Profit maximization.

Alternative microeconomic models of the firm. Revenue maximization. Contracts within firms. Organization of firms. Contracts with workers. Contracts with managers. Nonprofit organizations. Owners equity maximization.

Topic 5. How do work market structures

Perfect competition. Market perfect competition model and its characteristics. The market of perfect competition in the short and long run.

Market power and monopoly. Monopsony. Monopoly's demand curve. Simultaneous selection of a monopolistic price and volume of production. Price discrimination. The rule of profit maximization.

Market of monopolistic competition. Non price competition

Oligopolistic market. Imperfect competition: a game-theoretic approach.

Case: Why do color photographs cost less than black-and-white photographs? (Frank, p. 359)

Case: Why did 18-wheel cargo trucks suddenly begin using airfoils in the mid-1970s? (Frank, p. 365)

Case: Why do some doctors and lawyers offer discounts to people with low incomes? (Frank, p. 393)

Case: Why do theater owners offer student discounts on admission tickets but not on popcorn? (Frank, p. 392)

Topic 6. General equilibrium of competitive markets and its failure

The concept of general equilibrium. Feedback effect. General equilibrium's system of equations. Walrasian model. The effectiveness of the exchange. "Edgeworth Box." Curve of contracts. Pareto efficiency.

Section III Macroeconomics

Topic 7. The Keynesian revolution as a response to market failures

The main macroeconomic identities.

Classical vs Keynesian approach. The necessity for the Keynesian revolution. The concept of macroeconomic policy and its role in the practice of macroeconomic activity.

Topic 8. Aggregate Demand and Aggregate Supply

"Aggregate Demand - Aggregate Supply» (AD-AS) as one of economic equilibrium models. The equilibrium price and the equilibrium level of production. The mechanism to achieve balance in separate segments of the aggregate supply curve. Changes in balance caused by the shocks of aggregate demand and aggregate supply.

Topic 9. Keynesian and classical concept of macroeconomic equilibrium.

Consumption and savings.

Investments and savings factors. The aggregate demand on investments.

Multiplier.

Keynesian model of macroeconomic equilibrium. Conditions of model building. A simplified equilibrium model "Keynesian Cross".

Topic 10. IS - LM model

The structure and the equilibrium of the national market; the mechanism of its realization. Model IS - LM and its application for the development and analysis of macroeconomic policy.

Topic 11. Economic Growth and Cycles

Economic growth and economic development. Factors and limit of economic growth. Modelling of economic growth: «AD - AS» model and the production possibilities curve. Macroeconomic models of economic development cycles.

Extensive and intensive growth. Models of exogenous and endogenous economic growth. Economic growth in the different countries. The policy of stimulating economic growth.

Topic 12. Employment policy and the role of regulation in ensuring labor market equilibrium.

Employment, Unemployment and Underemployment and potential level of production. Okun's Law and the loss of economy from cyclical unemployment. Interrelation of inflation and unemployment. Phillips curve.

Employment policy and the role of government to ensure labor market equilibrium.

Topic 13. Government macroeconomic policy

State in the economic cycle.

Theories of macroeconomic regulation. The classical theory. Keynesian theory. Monetarism.

Applications of governmental macroeconomic policy

Topic 14. Economic theory frontiers

Adverse selection. The risk of bad faith. Overcoming information asymmetry.

Transaction costs.

Game theory and competitive strategy.

Choice under uncertainty. The balance of the consumer in the face of uncertainty. Exchange risk (exchange model under uncertainty)

Cognitive constraints and the behavior of actors.

Microeconomics of innovations.

11. Readings

Main readings

Begg, D. Economics. New York McGraw-Hill, 1994. - 666 p. (
http://library.hse.ru/opac/elcat_info.htm?livre=0001460)

Begg, D. Economics. New York McGraw-Hill, 2003. - 552 c. (35 ex.;
http://library.hse.ru/opac/elcat_info.htm?livre=0068066)

Bamford, C. Economics. Cambridge [etc.] Cambridge University Press, 2002. - 333 p. (36 ex.; http://library.hse.ru/opac/elcat_info.htm?livre=0027272)

Witztum, A. Economics. Oxford; New York Oxford University Press, 2005. - 554 c. (326 ex.; http://library.hse.ru/opac/elcat_info.htm?livre=0109125)

Yates, C. S. J. Economics. Prentice Hall, 1997. – 154 p. (60 ex.; http://library.hse.ru/opac/elcat_info.htm?livre=0006882)

Yates, C. S. J. Economics. Prentice Hall, 1992. - 154 p. (53 ex.; http://library.hse.ru/opac/elcat_info.htm?livre=0006881)

Additional readings

Bauer, P. The development frontier. Cambridge; London Harvard University Press, 1991. - 241 c. (http://library.hse.ru/opac/elcat_info.htm?livre=0001417)

Blake, D. A short course of economics. New York McGraw-Hill, 1993. - 224 p. (http://library.hse.ru/opac/elcat_info.htm?livre=0001725)

Mishkin, F. S. The economics of money, banking, and financial markets. New York HarperCollins College Publishers, 1995. – 757 (http://library.hse.ru/opac/elcat_info.htm?livre=0005902)

Loasby, B. J. Knowledge, institutions and evolution in economics. London; New York Routledge, 2001. - 168 p. http://library.hse.ru/opac/elcat_info.htm?livre=0017170

Internet resources

Economist on the World Wide Web – <http://eclab.ch.pdh.edu/ecwww/>;

Economic Journal on the Web – <http://www.oswego.edu/~economic/journals.htm>;

Links in Economics – <http://www.unizh.ch/sts/links/links.html>

EERC - <http://eercnetwork.com/>

RePec - <http://repec.org/>

Grading System

The final grade for the course will consist of:

- participation in the class: 20%
- cases and tasks solving 30%
- final exam: 50%