



HIGHER SCHOOL OF ECONOMICS
NATIONAL RESEARCH UNIVERSITY

Faculty of Economic Sciences

Syllabus

«Economics»

(3 ECTS, Autumn Semester)

for the Master Program 41.04.04 "Politics. Economics. Philosophy"
(Education program «Politics»)

Author lecturer (e-mail, web-page):

Ass. Prof., Cand. of Sc., MBA D.S. Zukhba
e-mails: dszukhba@hse.ru; daurzukhba@mail.ru ;
web-page: <https://www.hse.ru/org/persons/190260277>

Department of Economics

Meeting Minute # ___ dated _____ 20__

Class Times and Locations (! see timetable at LMS because it can change !)

1st module, Monday (02.09, 09.09, 16.09, 23.09, 30.09, 07.10, 14.10), 15:10 – 18:10.
Myasnitskaya street, 20, room 234

Phone +7(495) 772-9590, + (add.) 26032

Office Location Administrative educational complex "Pokrovsky Boulevard",

Pokrovsky Blvd, 11, S-1027, S-1015

Office Hours

Section 1. General information about the course

A short description of the course and the spectrum of topics covered

1. Course Description

Abstract

This course aims to make graduate students familiar with the major concepts, theories, and debates in basic economics, both micro and macro theory. The course is intended to help a student to enter the universe of economics and its applications and interdisciplinary relations in particular with politics and philosophy. This allows students with different levels of basic education and background to prepare for further effective study of the courses in PPE program.

Section 2. Course goals, learning objectives, expected learning outcomes

2. Goal of this course is to make students familiar with the major concepts, theories, and debates in basic economics, both micro and macro theory.

3. Learning Objectives

- to provide students with economic way of thinking;
- to present basic theories of economics;
- introduce the students to core concepts and standard methodological tools that lay the foundation of modern economics and political analysis and decision making.

4. Learning Outcomes

At the end of the course, students are expected to show:

- an awareness of the main concepts in economics and approaches of its applications;
- a basic understanding of the workings of standard economics models that will enable them to learn and work with more advanced models in the future;
- competencies to assess complexities and challenges as well as basics of interdisciplinary links of political and economic decision making

5. Prerequisites

Basic knowledge in mathematics.

In particular, a basic understanding of derivatives of functions

Section 3. Course Outline

6. Description of course methodology and forms of assessment to be used:

The course will use the methodology of discussing the studied economic concepts on the basis of practical tasks, solving problems and tests. Special attention will be focused to discussing how knowledge of economic concepts and skills in their application can be used in future professional activities.

7. Course Plan

Part I. Foundations of Economic Theory

Part II. Microeconomics

Part III. Macroeconomics

№	Topic/Focus/Activity	Week	Course format: lectures, seminars, consultations, work- shops, etc. (in hours)	Readings and assignments
	Topic 1. Economics as theory and as applied science. Thinking like an economist.	1	lecture	case study
	Topic 2. Is Marginalism an applicable theory?	2	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 3. Demand, supply and their interaction	1	lecture	see reading list below
	Topic 3. Demand, supply and their interaction	1	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 4. Firm's theory	2	lecture	see reading list below
	Topic 4. Firm's theory	2	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 5. How do market structures work	1	lecture	see reading list below
	Topic 5. How do market structures work	1	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 6. General equilibrium of competitive markets and its failure	1	lecture	see reading list below

	Topic 6. General equilibrium of competitive markets and its failure	1	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 7. The Keynesian revolution as a response to market failures	1	lecture	see reading list below
	Topic 8. Aggregate Demand and Aggregate Supply	1	lecture	see reading list below
	Topic 8. Aggregate Demand and Aggregate Supply	2	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 9. Keynesian vs classical concept of macroeconomic equilibrium.	1	lecture	see reading list below
	Topic 10. IS - LM model.	1	lecture	see reading list below
	Topic 10. IS - LM model.	2	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 11. Macroeconomic models of economic development cycles.	1	lecture	see reading list below
	Topic 11. Macroeconomic models of economic development cycles.	1	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 12 . Employment policy and the role of regulation in ensuring labor market equilibrium.	1	lecture	see reading list below
	Topic 12 . Employment policy and the role of regulation in ensuring labor market equilibrium.	1	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 13. Government macroeconomic policy	1	lecture	see reading list below
	Topic 13. Government macroeconomic policy	1	seminar	tasks, tests, cases, classroom written work \ short essays (15 minutes), exam
	Topic 14. Economic theory frontiers	1	lecture	discussion, case study

Part 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.

Part 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.

Topic 2. 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. Firm's theory

Income-Production Curve. Production Function. Average and Marginal Productivity.
Isoquant curve. Isoquant Maps. Rate of Technical Substitution (*RTS*).
Cost of production. Total revenue. Fixed costs (FC). Variable costs (VC). Total costs (TC).
Total profit. Average and Marginal costs revenue and profit. Relationship between AC, AVC and AFC. Breakeven point.
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.

Part 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.

Section 4. Texts, readings and other informational resources

1\ Required 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)

2\ 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

3\ Websites and other informational resources (databases, software, etc.)__

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

Section 5. Examination/Evaluation

8. Examples of topics and requirements for written assignments,

Topics for short written essays

Innovative goods and market equilibrium

Why do color photographs cost less than black-and-white photographs?

Why did 18-wheel cargo trucks suddenly begin using airfoils in the mid-1970s?

Why do some doctors and lawyers offer discounts to people with low incomes?

What determines the profitability of the production of shale oil/gas?

9. Examples list of questions for quizzes and exams,

Task1

Pareto efficiency, or Pareto optimality, is:

a) a graphical representation of possible combination of two goods with constant resources and technology.	d) occurs when goods and services are received by those who have the greatest need for them
b) a state of allocation of resources in which it is impossible to make any one individual better off without making at least one individual worse off	f) it is impossible to "beat the market" consistently on a risk-adjusted basis since market prices should only react to new information or changes in discount rates
c) is a measurable concept, quantitatively determined by the ratio of useful output to total input	g) All consumers and producers know all prices of products and utilities each person would get from owning each product.

Task 2

The Preservation Embalming Company’s cost data have been partially entered in the table below. Following the sudden and unexpected death of the company’s accountant, you are called on to fill in the missing entries.

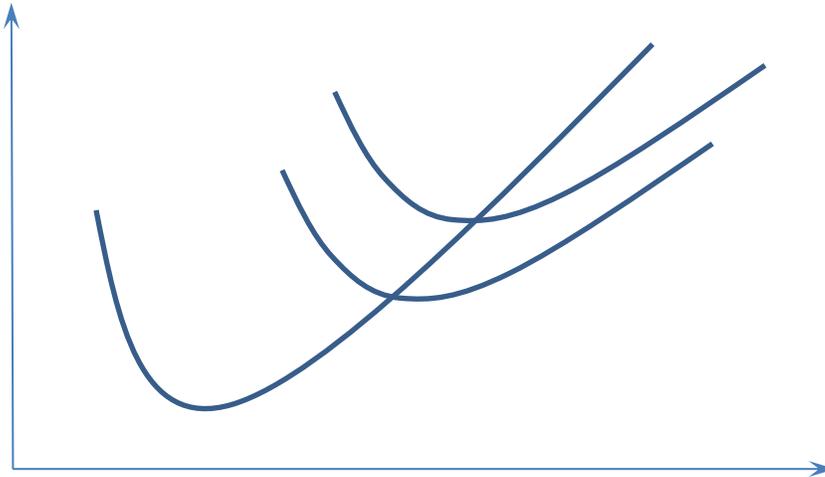
	Total cost	Fixed cost	Variable cost	ATC	AVC	AFC	MC
0	240		0	-	-	-	-
1							96
2							
3	480						

4							32
5					84,4		34
6	726						

Task 3

Graphical task (up to 3 points)

Put Titles of coordinate lines and AC, AVC, MC curves of perfectly competitive firm on graph below. Draw on this graph where is supply curve for this firm at long run?



10. Grading System

The final grade for the course will consist of:

- participation in discussions: 15%
- write short essays: 15%
- cases and tasks solving: 25%
- final exam: 45%

11. Make-up policies and form of the make-up

There are no credits for missed classes.

12. Policies on late work

Work done after the deadline is not evaluated. Students should feel comfortable asking for an extension, especially if they have legitimate reasons. However, choosing to accept late work

without a penalty, and without legitimate reasons, is unfair to their peers who have submitted their assignments on time.

Requirements

Class activities.

Students are expected to study recommended literature before sessions and to participate in discussions with the lecturer and other students **15% of the final grade.**

Students are expected write short essays which describes applications of learned concepts, theories in real situations **15% of the final grade.**

Students are expected to solve tasks and cases. **25 % of the final grade.**

Final Exam. An exam based on all material of the semester. **45 % of the final grade.**

11. Examination Type

The exam is in writing. It includes tasks for calculations, tests and open questions for understanding the course material.

Section 6. Academic Integrity

The Higher School of Economics strictly adheres to the principle of academic integrity and honesty. Accordingly, in this course there will be a zero-tolerance policy toward academic dishonesty. This includes, but is not limited to, cheating, plagiarism (including failure to properly cite sources), fabricating citations or information, tampering with other students' work, and presenting a part of or the entirety of another person's work as your own. HSE uses an automated plagiarism-detection system to ensure the originality of students' work. Students who violate university rules on academic honesty will face disciplinary consequences, which, depending on the severity of the offense, may include having points deducted on a specific assignment, receiving a failing grade for the course, being expelled from the university, or other measures specified in HSE's [Internal Regulations](#).