

**FINANCE ACADEMY
UNDER THE GOVERNMENT OF THE RUSSIAN FEDERATION**

Chair of Economic Theory

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ECONOMIC THEORY

Syllabus

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The syllabus contains a list of subjects, a detailed description of the contents of each subject, a list of sources. It reflects the current level of economics, taking account of the state standard requirements placed upon the economists of the highest qualification. Special attention has been paid to the problems of the Russian economy and Russian economic thought.

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PART I. MICROECONOMICS

SUBJECT 1. INTRODUCTION INTO ECONOMIC THEORY

L. HISTORICAL REVIEW OF ECONOMIC THEORY

Relatively late formation of economic theory as science. Prehistory of the science in the Ancient times and in the Middle Ages (Xenophon, Aristotle, Thomas Aquinas. Approaches to the definition of economic theory as a subject. Goods.). Mercantilists as the first scientific school

(T. Man, J.B. Colbert, A. Richelieu. Equation of wealth with money and gold. First prescriptions of the state economic policy in favour of protectionism). Classical School (Physiocrats, W. Petty, A. Smith,

D. Ricardo, J.S. Mill. Introduction into the scientific circulation of the basic problems of economic theory. Wealth as an aggregate of goods. Labour theory of value. Laissez-faire policy). Break-up in economic science in the era of the developed competitive capitalism. K. Marx and radical criticism of capitalism. (Theory of surplus value. Socialism as an alternative to capitalism. Marginal revolution (K. Menger, A. Marshall, A. Pigou. Renunciation of labour theory of value. Theory of marginal utility. Theory of production factors and the ideas of class society.). Leading modern western schools: Keynesianism, monetarism, institutionalism (J.M. Keynes, M. Friedman, T. Veblen. Attempts to improve capitalism. State regulation and disputes about its limits, importance of institutional economic structure).

I. SOME LANDMARKS OF THE DEVELOPMENT OF THE RUSSIAN ECONOMIC IDEAS

Peculiarities of the Russian mercantilism and Classical School

(A.L. Ordin-Nashchekin, I.T. Pososhkov. State-oriented traditions). Russian Marxism (Narodniks, G.V. Plekhanov, V.I. Lenin. Role of the Russian community. Problems of capitalist development in Russia. Theory of imperialism. Economic concept of the socialist revolution). Break-through to the advanced positions of the world economic science.

(E.E. Sloutsky, M.I. Tougan-Baranovsky, N.D. Kondratyev,

A.V. Chayanov. Consumer budget. Theory of great business cycles. Theory of agrarian sector). Elaboration of planning and forecasting problems (P.I. Popov, V.A. Bazarov, N.D. Kondratyev, V.V. Leontiev, L.V. Kantorovich, G.A. Feldman, V.V. Novozhilov. Intersectoral balance. Soviet econometrics). Present state of affairs in the Russian economic science.

II. SCIENCE AS A METHOD OF WORLD COGNITION. PLACE OF ECONOMIC THEORY AMONG OTHER SCIENCES

Science as a theoretical understanding of practice (real world's ideal image, its model). General scientific principles of proper judgements, verification of results and repeated tests (observations). Principle of minimal cause ("Occam's razor"). Economic theory as social science.

Peculiarities of economic theory:

1. Special complexity of the discipline;
2. Observational (not experimental) nature inherent in this science (limited possibilities for an experiment in economics, economic statistics as a means of economic observations);
3. Role of unique, unrepeatable events and circumstances in economic development (historical factor);
4. Multifactor nature of economic processes, importance of autocorrelation;
5. Interconnection with people's interests (according to Marxist terminology – class or party character);
6. Economic theory as inexact science (growing but limited role of mathematics in economic science, importance of qualitative analysis);

Economic theory and natural-technical sciences. Economic theory and social sciences. Central role of economic theory in the system of economic sciences. Classification of economic sciences.

III. METHODS OF ECONOMIC THEORY, ECONOMIC LAWS AND CATEGORIES

Consistency of scientific cognition: observation – generalization – conclusions. Economic observations (empiric and statistical methods).

Generalization methods:

- a) Abstract-logical methods (singling out of economic categories, their system = categorized register, analysis methods - synthesis, induction – deduction). Typical errors in case of application of the abstract-logical methods: incomplete induction, expanded deduction, mistakes in process of syllogism formation (an important instance: "after that = as a result of that"), terminological inaccuracy (instance – "words' tyranny"). Cause-and-effect method. Method of scientific abstraction. Method of comparative statistics;
- b) Economic-mathematical methods as a special variety of abstract-logical methods. Functional method. Econometrics;
- c) Contribution of Marxism in the methodology of economic theory: Methods of dialectical and historical materialism, unity of historical and logical parts. Interconnection of observational (empirical) and abstract-logical methods, mutual enrichment and tests.

Economic laws: (A) as general regularities established by science, and (B) as regularities of the objective world.

IV. NOTION OF ECONOMIC THEORY. THREE FUNDAMENTAL ECONOMIC PROBLEMS

Definition of economic theory: classical (science about peoples' wealth), Marxist (science about industrial relations) and modern western ones. General features of different definitions of the subject matter. Economic benefits and their classification. Economic interests, objectives and means. Three fundamental economic problems: What is to be produced? How it should be produced? For whom it should be produced? Importance of limited resources as a matter of principle. Compensation laws: production possibilities curve (What is to be produced?), isoquant or equal product curve (How it should be produced?) and Lorenz curve (For whom it should be produced?). Compromise in the society between effectiveness and equality. Compromise of an individual between income and spare time.

SUBJECT 2. BASIC PRINCIPLES OF MARKET ECONOMY FUNCTIONING

I. TYPES OF CIVILIZATIONS. COMMON FEATURES OF DEVELOPED ECONOMIES

A. Civilization approach

1. Traditional civilizations. Their typical features: non-machine nature of production, limited division of labour, limited use of money. Answers to such questions as "What? How? For whom?" are given according to traditions and custom.
2. Socialist (planned) civilization. State (public) property, planning. Answers to such questions as "What? How? For whom?" are given according to centralized decisions. Resources of economy are limited. Upsurge and crisis of the socialist civilization.
3. Market civilization. Private property, lack of planning. Answers to such questions as "What? How? For whom?" are given by means of market mechanisms. Varieties of market civilizations.
 - 3.1. Pure capitalism. Lack of state involvement in the economy. Social inequality.
 - 3.2. Mixed economy as a variety of capitalist one. Private property and at the same time strong social function of a state, elements of planning.
 - 3.3. Transition economies of traditional and new types. Differences between transition to market civilization and to traditional and socialist civilizations.

Present Russia as transition economy. Level of the development of the economy and social sphere. Level of adaptation to market. Development alternatives and bifurcation point.

General features of developed economies (socialist, capitalist, mixed):

- a) Technological nature of civilization. Wide use of machines. Machine as a base for technical progress. Predominance of indirect production.
- b) Division of labour, specialization and cooperation. Large-scale production as their outcome. Productivity growth at the expense of labour specialization and machines.
- c) Cash economy.

B. Notion of Marxist (formation) approach

Production forces and industrial relations. Primitive communal system, slave-owning system, feudal, capitalist and socialist systems. Mechanism of formation changes.

II. SPECIFIC FEATURES OF MARKET ECONOMY

1. Property relations. Private property. Property as a combination of a right to use, own and dispose. Bundle of property rights. Transfer of rights and coordination of obligations. Specification of property rights. Special importance of private ownership of means of production. Privatization process in Russia.
2. Mechanisms of economy functioning: a) Freedom of entrepreneurship and freedom of consumer choice. Consumer's sovereignty. b) Priority of personal interest. c) Competition as a counterbalance to individualism of capitalist economy. Principle of "invisible hand". Level of competition development in Russia. d) Market and prices as a self-regulation mechanism. Notion of market. Need for adequacy of price information, its accessibility and correct interpretation for the sake of market self-regulation. Economic risks and uncertainty. e) Market orientation of state activities. Special state role in Russia. Economic strategy and economic policy.
3. Social structure of society. Social inequality as an integral feature of market economy. Social injustice as an important threat to stability. Regulation of social inequality level. Social problems in Russia. Phenomenon of "new Russians".

III. ECONOMIC ENTITIES. PRODUCTION FACTORS. CIRCULATION OF PRODUCT AND CAPITAL

General notion of economic agents (market and non-market). Economic entities: households, enterprises (firms), state. Three classical production factors: labour, earth (natural resources), capital. Factor – entrepreneurship ability. Factor – technical progress and information. Basic spheres of economic activities: production, distribution, exchange and consumption. Product and income (capital) circulation scheme with an allowance for credit-finance flows and without it. Reproduction of economic bases of activities of households, enterprises and state. Reproduction and its four main spheres. Basic types of markets. Markets of production factors and finished products. Credit-financial markets. Level of development of the basic market types in Russia.

IV. ADVANTAGES AND SHORTCOMINGS OF MARKET SYSTEM

Advantages of market system: self-regulation of economy (feed-back availability, maintenance of homeostasis, adaptation), effective distribution of resources (self-liquidation of surpluses and deficits), economic freedom (double argumentation – freedom of an entity and freedom of society in regard to an entity). Shortcomings of market system: unevenness of income distribution (double argumentation: "minus" – economic inequality, "plus" – labour motivation); elements of ineffectiveness caused by production anarchy; self-destruction of market mechanisms under conditions of large-scale production (as a result of competition imperfection in interpretation of western specialists and as a precondition for socialist revolution from the Marxist viewpoint). Advantages and shortcomings of the market system in present Russia – difficulties of the transformation period.

SUBJECT 3. MONEY

I. MONEY FUNCTION:

1. Medium of circulation. Money as a mediator between goods. Full-bodied money and inferior (symbolic) money. Significance of the overall recognition and state sanctions for the implementation of circulation function. Conditions for function implementation. Money substitutes in the world and in Russia. Barter and its shortcomings. Barter in Russia as a result of inadequate functioning of the circulation medium. Basic causes of spreading of the barter relations.
2. Measure of value. Proportions of comparative costs of goods. Price liberalization in Russia and its importance for the implementation of the measure of value function. Scale of prices and denominations. Russian denomination of 1997. Conditions for the implementation of the function. Problem of the Russian economy dollarization.
3. Means of savings (in Marxist terminology – treasure accumulation) Form of wealth materialization. Crystal form of wealth, withdrawn from circulation. Link between the function and absolute liquidity of money. Hoarding and credit forms of accumulation. Saving function under conditions of money system disorder. Saving problems in the Russian economy.

Money functions which are additionally allocated by Marxist theory:

4. Instrument of payment (credit operations). Peculiarities of purchase and sale on credit for a seller and buyer. Defaults of payments in Russia as a form of compulsory credit.
5. World money. Spreading of money beyond jurisdiction of one state, lack of overall recognition. Gold as a form of world money which was historically prevalent. Present floating exchange rates. Problem of ruble convertibility. Devaluation of 1998 in Russia.

II. CONDENSED HISTORY OF MONEY

Marxist theory of historical replacement of forms of value. Simple, complete, universal and money form of value. Singling out of noble metals as a form of money which was historically prevalent. Reasons for long-term domination of gold money (preservation, equal quality, high specific cost). Metal money systems. Gold standard and its collapse. Role of gold in present economy. Nonmetal money systems. Paper money and credit currency in the past. Discontinuance of exchange of money for gold in national and international frameworks. Notion of modern system of floating exchange rates. Ousting of cash out of circulation. Electronic money and its credit nature. Reasons for great role of cash-and-money turnover in Russia. Money system in the Russian Federation.

SUBJECT 4. DEMAND, SUPPLY AND MARKET EQUILIBRIUM

I. LAW OF DEMAND, FACTORS OF DEMAND, DEMAND CURVE AND ITS SHIFT

Requirements and effective demand. Definition of demand. Extent of demand. Price as a decisive factor which determines extent of demand. Law of demand. Reasons for demand increase as a result of drop in prices (widening of a circle of consumers, income effect, substitution effect). Individual and market demand. Demand curve. Factors of demand curve

shift: changes of consumer tastes (an important case – change of demand as a result of the STP), autonomous changes of a number of consumers, income level (normal and anomalous goods), prices of other goods (substitutional goods, complementary goods, independent goods), consumers' expectations in regard for changes of prices and incomes. Diagram of demand curve shift. Empiric data of demand dynamics.

II. LAW OF SUPPLY, PROPOSAL FACTORS, SUPPLY CURVE AND ITS SHIFT. MARKET EQUILIBRIUM

Definition of supply. Extent of supply. Law of supply. Reasons for supply increase as a result of price rise (widening of a circle of producers, growth of capacity loadings, switching of capacities). Supply curve. Supply curve shift factors: prices for resources, technologies, taxes and subventions, prices for other goods, producers' expectations, autonomous changes of a number of sellers.

Market equilibrium and its stability. Equation price and equation volume. Producer's and consumer's surpluses. Equilibrium according to Walras and Marshall. Web-like approaching to the equilibrium point. Market states of imbalance. Problem of imbalance in Russia. Dynamics of equation price over time. Shift of equilibrium point in case of shifts of demand and supply curves.

III. ELASTICITY AS AN INSTRUMENT OF ECONOMIC ANALYSIS

Definition of elasticity. Elasticity formulae. Elasticity graphs, method of double logarithmic scales. Ranges of elasticity variations and their economic importance. Sensible use of symbols "+" and "-" in case of elasticity availability. Problem of a base and the formula of central point.

IV. DEMAND AND SUPPLY ELASTICITY

Elastic and inelastic demand, their significance for sellers and buyers. Connection between demand elasticity and volume of gross proceeds. Demand elasticity factors: level of indispensability, specific weight in incomes and expenses, level of necessity, time factor. Cross-elasticity. Elastic and inelastic supply, their significance for buyers and sellers. Time factor as the main factor of supply elasticity. Market periods: shortest, short-term and long-term. Supply elasticity during different market periods (graphs).

V. MARKET EQUILIBRIUM AND THE STATE

State involvement in market price formation and its forms. State control over prices, its positive and negative effects. Queues, deficits, "black" market, their evidence in the USSR and Russia. Taxes and subsidies as a factor which influences the market equilibrium. Elasticity and influence of public finance over market equilibrium.

VI. GENERAL NOTION OF BASIC THEORIES OF VALUE

Notion of labour theory of value. Goods and its features. Two sides of goods. Value in exchange and value in use, value. Costs for socially necessary labour as a basis for a quantity of value. Labour theory of value and supply graph. Principle of equivalent exchange.

SUBJECT 5. CONSUMER BEHAVIOUR

I. MARGINAL UTILITY THEORY

Utility of benefits and theory of consumer behaviour. Utility, psychological and economic roots of this notion. Cardinalism: marginal utility of benefits and consumer equilibrium. Marginal values in economic theory. Marginal utility. Law of diminishing marginal utility, graph.

II. CONSUMER PREFERENCES

Ordinalism: categories of consumer preferences. Indifference curve, budget line. Marginal substitution rate. Concept of a rational consumer, maximization of general utility.

III. EQUILIBRIUM OF A CONSUMER

Static and dynamic equilibrium of a consumer. "Income-consumption" and "price-consumption" curves.

SUBJECT 6. COSTS OF PRODUCTION

I. NOTION OF ECONOMIC EXPENSES. EXTERNAL AND INTERNAL COSTS

Notion of costs. External costs. Internal alternative costs. Interconnection between the concept of alternative costs and the practice of entrepreneurship and evaluation of economic activities effectiveness. Definition of profit. Normal profit as a special case of internal costs. Economic profit and book profit. Net monetary income and internal income rate.

II. LAW OF DIMINISHING RETURNS. AVERAGE AND MARGINAL PRODUCTIVITY

Law of diminishing returns, reasons for its existence. Definition of productivity of production factor. Average and marginal productivity, their dynamics as a result of growing usage of production factor. Graphs.

III. SHORT-TERM PERIOD: TOTAL AND VARIABLE COSTS, DEPRECIATION AND AMORTIZATION

Difference between quantities of costs during short-term and long-term periods: notion of total costs. Constant and variable resources. Constant costs (TFC), their schedule. Components of constant costs: lease of land, interest payments of loans, minimal expenditures for equipment maintenance, payment of personnel core, expenditures for R&D and part of amortization charges. Notion of depreciation and amortization. Classification of depreciation types (physical depreciation of the first and second kinds, moral depreciation of the first and second kinds). Physical depreciation of the second kind and moral depreciation of the first and second kinds as components of the constant costs. Amortization rate, amount of amortization charges. Increase of importance of constant costs in connection with the acceleration of technical progress. Problem of capital renewals in Russia. Variable costs (TVC), their schedule. Components of variable costs: raw materials, semifinished products, energy, main part of wages, physical depreciation of the first kind. Three periods in the dynamics of variable costs:

1. Decelerated growth under conditions of capacity underutilization;
2. Linear growth in the vicinity of technological optimum;
3. Accelerated growth in the vicinity of the capacity utilization limit.

Total costs ($TC=TFC+TVC$).

IV. SHORT-TERM PERIOD: AVERAGE AND MARGINAL COSTS

Notion of average costs. Average constant costs, their schedule. Decrease of average constant costs as a stimulus for production expansion. Average variable costs, their schedule. Curve minimums of average variable and average total costs. Notion of marginal costs, their schedule. Interconnection between marginal costs and average variable and average total costs.

Problem of costs and the Russian enterprises. High specific consumption of materials. Accelerated growth of raw prices during reforms: costs and rate of ruble. Costs and barter, nonpayments. Costs and taxes. Capacity underloading and average costs. Methods of costs reduction in Russia.

V. COSTS OF PRODUCTION DURING LONG-TERM PERIOD. ECONOMIZING IN PRODUCTION SCALE

Formation of average long-term cost curve, its schedule. Three periods in dynamics of long-term costs:

- 1) reduction of a part of average constant costs;
- 2) technological reasons;
- 3) benefits of specialization: (a) of labour, (b) of machines;
- 4) benefits of joint product manufacture (economizing in production scale).

Reasons for deeconomizing in production scale:

1. technological difficulties in case of optimum excess (transport charges, bottlenecks in technologies, etc.);
2. inflexibility of superspecialized and superdiversified production;
3. lack of such a resource as entrepreneurship ability. Underestimation of deeconomizing in production scale in the USSR, its reasons.

VI. OPTIMAL SIZE OF AN ENTERPRISE AND STRUCTURE OF INDUSTRIES

Minimal effective (in Marxist terminology – optimal) size of an enterprise. Curve of long-term costs and structure of sectoral markets. Industries where small producers are predominant. Industries where enterprises of optimal size are abundant. Industries where enterprise of optimal size are diverse. Industries with domination of large enterprises, a special case – natural monopolies. Significance of natural monopolies for Russia, need for their preservation.

SUBJECT 7. PERFECT COMPETITION

I. CHARACTERISTICS OF THE PERFECTLY COMPETITIVE MARKET

The concept of competition. Necessary conditions for perfect competition:

1. large number of producers;
2. small market share so that all firms must be price takers not price makers;
3. product homogeneity;
4. perfect information;
5. free entry into and exit from the market;

An infinitely elastic demand for the product of the firm as a criterion of elasticity, demand schedule. Average, marginal and total return of the company. Coincidence of demand schedules, prices, average and marginal return under conditions of perfect competition ($D = P = AR = MR$). Theoretical conditions for perfect competition. Small business in Russia and theory versus reality.

II. PRINCIPAL VARIANT TYPES OF THE COMPANY'S BEHAVIOUR IN THE SHORT TERM

Maximization of profit as the objective of the company's activity. Long term versus short term goals. Variant types of the company's behavior sales maximization stock pricing. Criterion stock pricing of profitability. Liquidation and bankruptcy of unprofitable enterprises. Reorganization of enterprises. The problem of bankruptcy in Russia. Effect on capital markets?

Three principal variant types of the company's behavior in the short term: 1. Production with the purpose of maximization of profits (at $TR > TC$ min)

2. Production with the purpose of minimization of losses (at $TC \min > TR > TVC \min$)
3. Shut down points

Total costs and gross return charts and average costs and average return charts. Critical points. Their relation to the size of fixed (the first point) and variable (the second point) costs. The task of lowering the first critical point for the purpose of enhancing competitive ability, its particular importance in regard to the situation in Russia (excess capacity).

III. THE RULE OF EQUALITY OF MARGINAL COSTS AND MARGINAL RETURN

(MC = MR).

Comparison of marginal costs and marginal return as a means of determining the optimal volume of production, its actual application in accounting practice. Necessity to increase production at $MR > MC$, to decrease it at $MR < MC$, and to maintain it at the same level at $MR = MC$. Don't forget MC must intersect MR from below. Limitations of application of the $MC = MR$ rule. The rule of $P = MC$ for perfect competition.

IV. SUPPLY CURVE AND MARKET EQUILIBRIUM IN A COMPETITIVE INDUSTRY

Marginal cost curve as the supply curve of the company. Aggregate offer of several companies. Demand and supply schedules for an industry with perfect competition. Equilibrium point, stability requirements.

V. DYNAMICS OF PROFIT AND VOLUME OF SUPPLY IN THE LONG TERM. PERFECT COMPETITION AND EFFECTIVENESS OF THE ECONOMY

Level of profitability as a regular of the volume of resources used in the industry. Definition of normal profits for the industry in the conditions of not any one company perfect competition. Relation of the break-even to the absence of barriers in the industry (inflow of new firms and decline in prices when there is economic profit, the reverse when there are economic losses). Charts of the inflow of companies to the industry and their outflow from it. Establishment of the long-term offer volume of the company at the level ensuring minimum costs. Types of the long term offer curve for an industry.

Positive aspects of perfect competition: minimum costs, efficient distribution of resources.

SUBJECT 8. MONOPOLISTIC COMPETITION

I. TYPES IMPERFECT COMPETITION. GENERAL CHARACTERISTICS OF IMPERFECT COMPETITION

Preconditions for imperfect competition: market share barriers to entry, product differentiation. Criteria for imperfect competition Existence of the gross income limit, accelerated reduction of marginal income as the production output grows. Consequences of imperfect competition: underproduction; overpricing; and economic profits.

II. CHARACTERISTICS OF THE MARKET CALLED MONOPOLISTIC COMPETITION. PRODUCT DIFFERENTIATION.

Conditions for monopolistic competition:

1. large number of producers;
2. small market share;
3. differentiated products;
4. imperfect information;
5. barriers to entry

Product differentiation as the main factor of restricting competition under conditions of monopolistic competition. Market segmentation and attainment of quasi-monopolistic position by the small producer. Potential increase in prices. Product differentiation factors (quality, servicing, advertising). Actual and apparent product differentiation. Price and nonprice competition. Predominance of nonprice competition in today's conditions.

Product differentiation as a means of market adaptation for Russian industry. Severe price competition in Russia as a consequence of weak product differentiation. Strengthening of competitive power of Russian goods due to differentiation.

III. BEHAVIOUR OF THE COMPANY IN THE SHORT AND IN THE LONG TERM

Short term. Establishment of the optimum volume of production in the conditions of monopolistic competition, a chart. Characteristic features of the position of the company: excess capacity, overstating advertising costs of prices compared to perfect competition. Relatively small degree of the market imperfection.

Long term. Temporary character of economic profits under conditions of monopolistic competition. Their disappearance as a result of copying of the successful differentiated product by competitors. Consequences of monopolistic competition. Theorem of "excess capacity". Chart of long-term equilibrium for a company and for an industry. Dynamic aspect of the problem: potential earning of economic profits constantly by differentiating the product over and over. Product life cycle.

IV. GENERAL ECONOMIC IMPORTANCE OF ADVERTISING

Advertising as a means of revealing actual and creating apparent product differentiation. Two main functions of advertising: information and motivation. Mechanism and basic

principles of advertising. Positive aspects of the influence of advertising on the economy: information for buyers, discovery of potential markets expansion of production and reduction of costs due to the economies of scale. Negative aspects of advertising: creation of artificial needs, escalation of selling costs, advertising self-neutralization effect. Advertising in the USSR and in Russia. Violation of consumer rights in the present-day Russia advertising.

SUBJECT 9. OLIGOPOLY

I. STRUCTURE OF AN OLIGOPOLISTIC MARKET AND ITS DESCRIPTION IN A DUOPOLISTIC MODEL

The spread of oligopoly. Oligopoly as prevailing type of market in Russia.

Conditions for oligopoly:

1. fewness of producers;
2. large market share;
3. uniform or differentiated products;
4. high barriers,
5. imperfect information.

Large size of the enterprise as the main factor of the restriction of competition in the conditions of oligopoly (financial barriers and the barriers of limited market capacity). Differentiated and non-differentiated products under conditions of oligopoly. Game theory and simplified (duopolistic) models of oligopoly. The Cournot model. The Cournot equilibrium. The most important conclusions from the Cournot model:

1. Particular importance of any of the competitors' behavior for the general state of affairs in the industry.
2. Oligopoly overstates prices and restricts output less than a monopoly but more than monopolistic competitors.
3. Output greater than that of monopoly.

II. TYPES OF OLIGOPOLY

The main types of oligopoly:

Competitive oligopoly. Absence of collusion between private companies with no common objective. Chart of the optimum volume of production in the conditions of non-coordinated oligopoly. Peculiarities: broken character of the demand curve, gaps in the marginal income curve. Loss of flexibility in prices and blockage of the market self-regulation mechanisms in the conditions of non-coordinated oligopoly (western and Marxist interpretation of the consequences).

Cartels. Monopolistic profits being the aim of the participating companies. Typical agreement: production quotas and division of markets, uniform prices, common policy in

relation to the suppliers of factors of production (first of all, trade unions). Cartel as the most wide-spread form of the actual monopolization of the market. Between-the-wars period as a the Golden Age of cartels. Prohibition of cartels in most countries. Syndicates in the Russian Empire and cartels in present-day Russia.

Cartel-like structure of the market. Participant companies aiming at the Cournot equilibrium, maximization of oligopolistic profit. Principle of predictable behavior (leadership in prices, “costs plus” scheme. The “costs plus” scheme in the USSR and in Russia.

III. THE PROBLEM OF EFFECTIVENESS OF THE OLIGOPOLISTIC MARKET. ROLE OF LARGE-SCALE ENTERPRISES IN RUSSIA’S ECONOMY.

Inevitability of oligopolization in the conditions of large-scale production. Oligopolization and productivity (world and Russian historical experience). Relation of the consequences of oligopolization to the oligopoly variety. Economies of scale at the level of the company, special role of quasi-fixed costs. A. Chandler theory of investments. Investments in three main areas: production, distribution network, competent management. Large-scale enterprises as the core of Russian economy. Strengths and weaknesses of Russian large-scale enterprises.

SUBJECT 10. MONOPOLY

I. BEHAVIOUR OF THE MONOPOLIST COMPANY IN THE SHORT AND IN THE LONG TERM

Main feature of the monopoly. Barriers to entry:

1. Advantages of large-scale production (up to the natural monopoly). Economies of scale
2. Legal barriers (monopoly ownership of the sources of raw materials, land, rights to scientific and technological achievements, exclusive rights sanctioned by the government).

Market equilibrium under short run conditions of monopoly. Consequences of monopolization: sharp restriction of output, overstatement of prices, monopolistic super profit, X-inefficiency. Price discrimination and its types. Price discrimination in Russia, Long-term curve costs in the monopolized market.

II. PRINCIPLES OF AN ANTIMONOPOLY POLICY

Necessity and complexity of the policy of demonopolization. Impossibility of transforming a monopolized industry into an industry of perfect competition. The main aim of the antimonopoly policy: restriction of monopolistic abuses. Antimonopoly policy in regard to natural monopolies. The main instrument: regulation of prices. Two target price levels: maximum voluntarily maintained level of production ($P_{regul.} = MC = D$) and zero

economic profit ($P_{regul.} = D = ATC$); their advantages and disadvantages. Reforming the structure of Russian natural monopolies. The problem of privatization and nationalization of natural monopolies around the world and in Russia. Antimonopoly policy in regard to artificial monopolies. Concept of an artificial (business) monopoly. Features of market monopolization. Concentration degree and its measurement (Herfindahl-Hirschman index). Degree of concentration in Russian industry. Entwinement with competitors. Two approaches to regulation: behavior-based criterion of applying sanctions (in the event of monopolistic abuses) and structural criterion of applying sanctions (in the event of exceeding the marginal share of the market). Advantages and disadvantages of both approaches. Antimonopoly measures taken in regard to existing and emerging monopolies. Control of takeovers and mergers. Anticartel measures.

III. THE PROBLEM OF MONOPOLIZATION OF THE RUSSIAN MARKET

Concept of a single socialist national economic complex. Sole producers under conditions of a planned economy: impossibility of the overstatement of prices and the understatement of the production output, absence of super profits, considerable x-inefficiency. The outburst of monopolistic tendencies as reforms began (overstatement of prices, reduction of the production output, appearance of super profits, x-inefficiency retained). Difficulties in the policy of demonopolization:

1. inefficiency of disintegration of single complexes;
2. absence of investment required for the creation of new competitive production;
3. double role of import competition (necessity of moderate and danger of excessive import competition).

Monopolization and economic crisis. Specific features of antimonopoly policy in Russia. Strategy of “successive steps”.

SUBJECT 11. LABOR MARKET & WAGES

I. GENERAL PROBLEMS OF DEMAND FOR ECONOMIC RESOURCES.

Entities of the resource markets. Demand for resources in the socialist and in the market economy. The derived demand for resources as compared to demand for finished products. Marginal product and marginal product in money form. Charts of the marginal product in money form for the conditions of perfect and imperfect competition. The rule of equality of marginal product in the money form and marginal costs for a resource ($MRP = MRC$) as a means of profit maximizing (cost minimizing). Optimum proportions for the use of different resources.

II. LABOR FACTOR AND ITS PRICE. FORMS OF WAGES.

Wages as a price of the labor factor. Special role of the labor market (labor as a universal factor of production, wages as the main source of earnings for the population). Employment structure around the world and in Russia. Differentiation of the level of wages. Non-competitive groups. Time wages and piecework wages. Their comparative advantages and disadvantages. Complex systems of wages. The most widespread systems of wages in the USSR and in Russia, possibilities for their modification on the basis of the world experience.

III. MARXIST CONCEPTION OF WAGES AND LABOR EXPLOITATION

Wages as the equivalent of the cost of labor force. Amount of wages and its components (physical reproduction of labor, family upkeep, education and training, cultural and historical factors). Ratio of labor cost and cost created by the worker. Surplus value (profit) and labor exploitation by capital.

IV. LABOR MARKETS UNDER CONDITIONS OF PERFECT COMPETITION AND MONOPSONY

The curve of marginal product in the form of money as a chart of company's demand for labor. Ratio of labor factor demand and supply under conditions of perfect competition (for a company and for an industry). Market equilibrium in the labor market under conditions of perfect competition. Absence of shortage and surplus of perfect competition in the labor market equilibrium under conditions of monopsony (artificially lowered wages and number of the employed, broken curve of demand for labor), chart. Monopsony in Russia: problems of employment in northern regions, one-factory towns and natural monopolies.

V. LABOR MARKETS IN THE CONDITIONS OF DOMINATION OF TRADE UNIONS AND IN THE CONDITIONS OF BILATERAL MONOPOLY.

Trade unions objectives in the labor market (rise in wages, increase in employment) and their conflict. Closed (workshop) and open unions. Consequences of the dominations of unions in the labor market (excessive wages, excessive unemployment, scarcity). Trade union activities during inflation. The wage-price spiral, its causes. Bilateral monopoly. Market equilibrium under the conditions of bilateral monopoly. Consequences of bilateral monopoly.

VI. TRADE-UNION MOVEMENTS AND GOVERNMENT REGULATION OF THE LABOR MARKET

A Brief history of trade-union movements"

1.Origins and phases of prosecution by the government and by employers (law concerning monopoly, yellow dog contracts, dissolution of trade unions, company unions, professional strike-breaking).

2. The acceptance phase of developed unions, their positive role in the economy. Recognition by the government and by employers (labor contracts, tripartite commissions). Negative aspects of the activities of trade unions (violations of union democracy, “pressure on the nation”). Government regulation of the labor market. The minimum wage. Its advantages and disadvantages.

VII. LABOR MARKET IN RUSSIA

Labor Market in the USSR. Its advantages (full employment, confidence in the future) and disadvantages (understated wages, shortage of manpower, low labor motivation). Trade unions and the state in the soviet system. Labor markets in present-day Russia (understated wages, combination of unemployment and over employment, danger of a social explosion). Informal (shadow) employment. Labor movement during the reform period. State service employment in Russia. Labor exchanges (job centers).

SUBJECT 12. CAPITAL MARKET

I. THE CONCEPT OF CAPITAL AND ITS STRUCTURE

Capital as a factor of production. Capital definition (marginalist and marxist variants, their common features and differences). Expanded reproduction of capital. The problems of the original capital accumulation, the reallocation and saving mechanisms. Original accumulation and privatization in Russia. Voucher and post-voucher privatization, its progress, achievements and contradictions.

Business capital and its structure. Current and fixed capital (funds). Current capital market as a typical resource market (in the conditions of perfect competition, monopsony, monopoly, mutual monopoly). Current assets. The problem of resource losses in Russian enterprises.

II. FIXED CAPITAL MARKETS DISCOUNTING

The time factor as the main reason for fixed capital market modification. The problem of estimating present value of deferred income. Present discounted value (PDV), its formula for one year ($PDV_1 = TV_1 / 1 + I$) and for a long-term project. Present discounted value of an infinite period ($PDV = TR \text{ const} / I$). Net present value (NPV). The estimation of risk for a given investment project ($NPV > 0$). Factors of demand for investment resources (level of the expected return and interest). Investment demand chart. The curve of the investment capital supply. Equilibrium in the fixed capital market. The problem of investment activity in Russia: government strategy aimed at the reduction of the interest rate and risk elements? Negative role of high rates of GKO.

III. THE CONCEPT OF INTEREST AS CAPITAL FACTOR INCOME.

Narrow and broad meaning of the category of interest. Broad conception of interest and payment of the capital factor. Theories of the origin of interest:

1. Marxist concept of interest as part of surplus value. Capital as ownership and capital as function. Rentier. Parasitism of loan capital.
2. Theory of pure efficiency of capital. Interest as a result of investments.
3. Theory of marginal utility. Interest as payment for abstention. Marginal utility of the present and future benefit.

Synthesis of the theories of pure capital efficiency and marginal utility as the basis of the present-day theories of interest. Any discussion of effect of risk on interest rates?

SUBJECT 13. MARKET OF NATURAL RESOURCES

1. LAND AS A FACTOR OF PRODUCTION. TYPES OF NATURAL RESOURCES.

Broad and narrow conception of the land factor. Natural conditions. Natural resources, their classification. Real and potential resources, renewable and nonrenewable resources.

II. MARKET OF NONRENEWABLE NATURAL RESOURCES.

Scantiness of reserves and the factor of time. The problem of choice between the use of conservation of nonrenewable resources. Conservation of resources and an investment project, discounting. Risk factor. Long-term equilibrium in the market of nonrenewable resources.

Role of nonrenewable resources in the present-day economy of Russia. Russia's natural resources, scale of export of nonrenewable resources. Export of raw materials as the crisis shock absorber. Increasing vulnerability of the economy due to the raw material oriented exports. Weakness of economic mechanisms for resource conservation in Russia, its reasons. Necessity for government regulation of the utilization of natural resources.

2. MARKET FOR NONRENEWABLE NATURAL RESOURCES. LAND RENT AND ITS TYPES.

Agrarian sector of the economy, its historical and present-day importance, and peculiarities. Entities present in the agrarian market. Landowner and landholder (tenant).

Economic rent as an excess of the cost of using a resource in production, chart. Land rent, absolute inelasticity of land supply (chart). Criticism of rent: Marxists, Henry George (economically unjustified, unfair enrichment of the landowner, increase in costs). Merits of rent (growth of the efficiency of land utilization). Differential rent I (land capability and location). Relation of the rent size to the break-even of utilization of worse land. Differential rent II. Differential rent out of agriculture. Pure (absolute) rent. Peculiarities of appropriation of different kinds of rent. Relation of the rent term to the progress in

agriculture. Rent and rental payment. Equilibrium in the land market. Price of land. ($P_{land} = PDV_{infin.} + Tr_{const.} / I$).

Difficulties in Russian agricultural development. Principal entities of agrarian markets in Russia. Former collective farms (kolkhoz), state farms (sovkhoz), farm enterprises, personal subsidiary plots. The problem of private ownership of land in Russia: opportunistic and risks for the economy.

SUBJECT 14. ENTERPRISE AS THE MAIN SUBJECT OF MICROECONOMICS

I. NATURE OF THE FIRM

Role of the firm (enterprise) in the economy. Spontaneous order and hierarchy. Firm as a hierarchical system. Transaction costs and their role in the economy. Transaction costs as a factor of selection of economic institutions. Reasons of the efficiency of a firm. Limits of the efficiency of a firm. Socialist economy as a superfirm (“single factory”). Internal and external environment of the firm.

II. TYPES OF ENTERPRISE ORGANIZATION

Importance of the size of the firm. Small business. Small business in Russia, its activity areas. Forms of organization of small business (individual enterprise, partnership). Advantages and disadvantages of these forms.

Big business. Concentration of production. Horizontal, vertical and diagonal integration. Diversification. Joint-stock companies as the main form of organization of big business. Their advantages and disadvantages. Types of joint-stock company. Joint-stock company management, main managerial bodies and their functions.

Controlling shareholding and blocking shareholding; controlling shareholding in the conditions of dissemination of capital. Managerial revolution.

Joint-stock companies in the economy of Russia. The problem of central in privatized joint-stock companies. The problem of the efficient owner.

Associations of enterprises, their nature and reasons for their formation. Financial and industrial groups (FIG) around the world and in Russia. Government as an entrepreneur. Reasons for and limits of government business activities. Forms of government business activities. Public sector in Russia.

III. SECURITIES AND A STOCK EXCHANGE

Securities and their types. Shares. Face value and price of shares. Types of share. Bonds. Securities market. Classification of securities markets (primary and secondary markets, organized and unorganized markets). Stock exchange and its functions in the economy (capital accumulation, interindustrial capital movements, transfer of management to the efficient owner). Stock exchange speculation. Stock exchanges and securities in Russia. Degree of maturity. Financial and speculative orientation and the problems of performance of main functions.

SUBJECT 15. BANKS: FUNCTIONS AND TYPES

I. BANKS, THEIR OPERATIONS AND PROFIT

Direct functions of banks: intermediation with credits and payments, creation of credit money, accumulation of spare cash. Passive and active operations. Fun ownership and its structure. Deposits: time deposits and demand deposits. Bill discounting, commodity transactions, stock exchange transactions, blank transactions. Leasing, trust, factoring. Bank profit: fundamental formula ($I_a - I_p$), real formula ($I_a \times Q_a - I_p \times Q_p - TC + \text{nonblank.profit}$).

II. TYPES OF BANK

Bank of issue (central, state bank). Functions: credit creation, regulation circulating media, banking regulation and supervision. Seigniorage as a net profit for the center. Commercial banks. Specialized credit institutions: mortgage banks, investment banks, agricultural banks, foreign trae banks, insurance companies, pension funds.

PART II. MACROECONOMICS

SUBJECT 1. THE CONCEPT OF REPRODUCTION. SYSTEM OF NATIONAL ACCOUNTS TO REFLECT ITS PROGRESS

I. THE DEFINITION OF SOCIAL REPRODUCE

The national economy and its elements: functional, sectoral and territorial. Development goals. Basic spheres of economic activity: production, distribution, exchange and consumption. The essence of social reproduction: simple, expanded and narrowed. Schemes of product and income (capital) cycles, including or excluding the financial markets. Open and closed models. Analysis of the economic foundations of the households, enterprises and the state. Structural conditions for the national reproduction in V. Leontieff's model of intersectoral balance using an input-output matrix.

II. BASIC MACROECONOMIC INDICES

Gross domestic product (GDP) and gross national product (GNP), or gross national income (GNI). Resident and non-resident institutional entities. Net income of productive factors that is received from abroad.

GNP in the production sphere. End-products and intermediate products. Accounting methods using added value. Production structures of GDP in western countries and in Russia: shares of production, agriculture and services. The concept of progressive sectoral structures in a national economy. Primary, secondary and tertiary economic sectors. Service and information economies.

GDP in the sphere of distribution. Basic components of distribution and their ratio:

- 1) revenue of productive factors,
- 2) amortization,
- 3) indirect taxation.

Methods of GDP accounting using revenue data.

GDP in the sphere of exchange and its structure:

- 1) direct transactions by manufacturers
- 2) wholesale and retail trade
- 3) Externalities

Problems of accounting for the underground economy, and measuring natural production.

GDP in the sphere of consumption. Ratios between:

Private consumption, total investment, state expenditure, and net exports.

Methods of GDP accounting by expenditure.

Principle of GDP equity in the spheres of production, distribution, exchange and consumption. Nominal versus the real GDP. The concept of GDP deflator. Actual versus potential GDP.

III. SYSTEM OF NATIONAL ACCOUNTS AS A REFLECTION OF PRODUCT AND REVENUE CIRCULATION

The system of national accounts (SNA) as a method for the uniform description of macroeconomics and its different sides. Principles of SNA formulation: Concept of “operation”, principle of double entry, interconnected accounts, institutional sectors.

The system of interconnected macroeconomic indices. GDP as a starting SNA index. Net internal product as a GDP without amortization. Its role in estimating the extent of production. National income as a valuable index of distribution: the summation of all primary incomes.

Private income as an indicator of personal income prior to tax payment. State transfers, their role in maintaining social stability in a society. Private transfers.

Private disposable income, or income after tax payments. Use of private disposable income for the purposes of consumption and savings.
End consumption.

National wealth as an index in addition to SNA. National wealth both in the narrow and broad meaning of this word. Problems involved in its estimation.

SUBJECT 2. MACROINSTABILITY: CYCLES AND CRISES, UNEMPLOYMENT, INFLATION

I. GDP DYNAMICS

Main components of GDP dynamics:

1) Trend line of long-term tendency of the change in GDP. Periods of decelerated and accelerated development, examples in the 19th and 20th centuries. “Great waves” theory (Kondratieff, Schumpeter). Mathematical approaches to the trend line definition.

2) Seasonal fluctuations, their natural and anthropogenic origin. The need for methods for making seasonal adjustments to facilitate macroeconomic analysis. Typical seasonal fluctuations in Russia.

- 4) fluctuations. The role of chance in economic development Bifucation points, their examples in Russian and world history.
- 5) Cyclic fluctuations

II. ECONOMIC CYCLES AND CRISES

Regular mid-term fluctuations. A short history of cycles. Crises, their mean and maximum depth. Periodically of crises and their changes. Cycle phases in the two-phase and four-phase models: crisis characteristics, depression, recovery, boom. Role of the depression phase in Russia.

III. REVIEW OF THE MORE IMPORTANT CYCLE THEORIES

Fundamental nature of the cycle problem as a source of its different interpretation by different schools:

- 1) Cycle negation and exogeivous cycle theory. Explanation of crises due to chance, natural phenomena, social events of non-economic character. Exogenous theories fall from popularity.
- 2) Endogenous cycle theory. Monetary (neoclassics, monetarists) and real (marxists, keyneisanists) explanations. General trends in the explanation of crises:
 - a) imperfections and malfunctions in a free market;
 - b) imbalances of aggregate production and consumption;
 - c) cumulative (self-increasing) GDP growth and decline processes (for example, accelerator principle).

IV. STRUCTURAL CRISES. THE TRANSFORMATION CRISIS IN RUSSIA

Regional and sectoral crises. General features of structural crises: their long-term nature, connections with sectoral (regional) non-competitiveness, connections with the STP process, the special role of the state in overcoming these crises. The transformation crisis in Russia as a structural crisis of a special kind. Three shocks from the transformation: dissolution of the USSR (severance of co-operative ties, curtailment of general market volume), shock from the finance stabilization (main components of E. Gaidar's policy, deviations of real developments from anticipated ones), shock from external economic openness (non-preparedness of national industry for struggle with its competitors). The need for structural reconstruction of the Russian economy.

V. INFLATION, ITS TYPES AND CONSEQUENCES

Inflation definition. Inflation level: creeping, galloping, hyperinflation. Demand inflation, typical cases of its emergence (economic "overheating", unfounded emission), demand

inflation schedule. Premature demand inflation. Supply inflation: reasons for its emergence (malfunctioning of supply mechanisms, monopolization of markets by enterprises or trade unions).

Redistributional consequences of inflation (income recipients – fixed income recipients, real capital holders – monetary capital holders, debtors – creditors, taxpayers – budget). Peculiarities of the influence mechanism: influence of not only actual but anticipated inflation. Adaptive and rational expectations. Intensive inflation as a hindrance to growth and as a factor of investment risk.

Inflation processes in Russia.

VI. UNEMPLOYMENT AND ITS TYPES

Level of unemployment. Unemployment types which are estimated by statistics: frictional, structural, cyclic. Unemployment types which may not accurately estimated by statistics: partial, hidden, (agricultural and household), stagnant unemployment. Imaginary unemployment (disguised employment).

Notion of “full” employment and “natural” unemployment (=frictional plus structural). The natural rate of unemployment as a result of actual history of unemployment (hysteresis). Economic (decrease of wages, strengthening of labor motivation, GDP losses) and non-economic (uncertainty as to the future, declassified process, social instability) consequences of unemployment. Phillips curves both short- and long-term. The interrelation of inflation and unemployment. Official unemployment in present day Russia.

SUBJECT 3. THEORIES OF ECONOMIC EQUILIBRIA

I. PREREQUISITES FOR THE ANALYSIS OF A MACROECONOMIC EQUILIBRIUM

Methodological and historical prerequisites for macroeconomic analysis of equilibria. Partial and general equilibrium. Aggregate indices. Say’s law. Absolute elasticity of prices and wages. Neoclassic continuers of Say’s theory. Functioning of the market self-regulating mechanism under conditions of perfect competition and during the long-term periods. Keynesian and neokeynesian criticism of the market self-regulation mechanism. The need for market regulation by the state under conditions of imperfect competition and during short-term periods.

II. MACROECONOMIC BALANCE IN THE AD-AS MODEL

Aggregate demand as a sum of all expenses for end-products and services which are produced in the national economy. The aggregate demand curve.

Price factors (effects) of the aggregate demand: general price level, money quantity in circulation, circulation speed of money units, effect of interest rate, the pigou wealth effect, and the Mundell-Fleming effect.

Non-price factors of aggregate demand:

- 1) consumers' expenditures for household needs – consumers' incomes, expectations of income changes, indebtedness, tax burden for consumers;
- 2) investment expenses of firms – expected revenues, profit, tax level, changes in the applicable technologies;
- 3) public expenditure;
- 4) net exports, net factor incomes abroad, exchange rates.

Aggregate supply as a general quantity of end-goods and services in terms of value added. Keynesian curve of the aggregate supply during short-term period. Neoclassical curve of the aggregate supply during long-term period. Neoclassical synthesis in model AD-AS. Shocks from supply and demand.

Imbalances between aggregate demand and aggregate supply in the Russian transitional economy.

III. GENERAL CHARACTERISTICS OF CONSUMPTION, SAVINGS AND INVESTMENT

Division of disposable income into consumption and savings: Keynesian analysis. Consumption as aggregate money expenditures of the population for the acquisition of goods and services. Subjective factors – psychological propensity to consume. Maximum and mean propensity to consume. Consumption function: contents and graphic interpretation.

Savings as part of income not to be consumed. Mean and maximum propensity to save. The savings function: its contents and graphic interpretation.

The interconnection of maximum propensity to consume and save. General factors which influence consumption and savings: wealth resources, prices, rate of interest, consumers' expectations. The ratio of consumption and savings in modern Russia.

The essence of investment. Types of investments: planned, unplanned, actual, autonomous, stimulated, total, and net.

Classical investment analysis: the dependence of planned investment on the real interest rate.

Keynesian analysis of the interconnection between investment and national income. The investment multiplier.

IV. MACROECONOMIC BALANCE IN MODELS S-I AND THE KEYNESIAN CROSS

The equation of planned investment and planned saving is the most important precondition for a macroeconomic equilibrium. Difference between suppliers savings and investors. Model S-I. Paradox of thrift. The inflation gap. The Deflation gaps. The problem of saving conversion into investment in modern Russia. Capital flight, Russians distrust of their national banking system.

A model of aggregate expenditure and income, or the Keynesian cross. Method of withdrawals (leakage) and injections. Savings, imports, taxes as withdrawals. Investments, exports, and public expenditures as injections.

Ratio of injections and withdrawals and its effects on economic development.

SUBJECT 4. ECONOMIC GROWTH, ECONOMIC EFFECTIVENESS AND SCIENTIFIC AND TECHNOLOGICAL PROGRESS

I. KEY FACTORS IN ECONOMIC GROWTH

Long-term GDP (NGP) growth trends in modern economies. Economic growth as a way to solve social-economic problems and satisfy new needs. Quality of economic growth: Supply factors (natural resources, human resources, capital, and technologies); Demand factors(secular trends and cyclical fluctuations); Distribution factors (labor motivation and social expectations).

The interconnection of supply factors and maximum possible GDP extent. Influence of demand and distribution factors on the ratio of real and maximum GDP. Production possibilities curve. The special role of the labor force. Components of human labor, consumption growth: number of employed, number of working hours per capita. Components of labor productivity growth: educational level, technological progress, investment, effectiveness of resource employment, changes in natural resources. Intensive and extensive growth.

II. MACROECONOMIC EFFICIENCY

General notion of efficiency as a ratio of expenses and output. Microeconomic component of the general economic efficiency. Impossibility of an effective market economy without efficiently functioning firms. Profitability and competitiveness as basic indices of company efficiency. Concept of clusters of the most efficient companies.

Macroeconomic efficiency and the level of a country's economies of agglomeration development as two sides of one problem. Macroeconomic indices of effectiveness:

a) technological (GDP power consumption, GDP material consumption, share of advanced technology and material),

- b) economic (labor productivity and labor consumption, capital output ratio and capital productivity ratio, integral estimates of effectiveness, for example, GDP per capita),
- c) metaeconomic (life level, quality and length and others).

III. THEORIES OF ECONOMIC GROWTH

Multiplicator and accelerator effects. Their peculiarities in Russia. Cobb-Douglas production function. Harrod-Domar model and its development by R. Solow, Accumulation's "golden rule".

IV. THEORIES OF SCIENTIFIC AND TECHNOLOGICAL PROGRESS IN MARKET ECONOMY

The need for development theory for a market economy.

Additional profit as a motivation for progress. J. Schumpeter's Innovator. Routine production and innovations. Resistance of the market environment to innovations and its reasons. Special role of the Innovator (Entrepreneur). New combinations: new consumption benefits, new production methods, new markets, new sources (type) of raw materials or semi finished materials, new industrial organizations.

Venture capital. D. Hick's technical progress model. Neutral capital-saving and labour-saving STP. Production functions, taking into account the STP: exogenous and endogenous variants.

V. PROBLEMS OF ECONOMIC GROWTH AND ITS LIMITS

Negative side of economic growth: environmental contamination, global instability (theory of catastrophes), production for the sake of production, lowering of life quality (Galbraith's theory of planning system), workaholism.

The first report of the Rome club, zero growth proposal.

Economic growth neapology: a) the only way of overcoming the backwardness of the developing countries, b) economic growth as a way of solving the contradictions which it itself creates (for example, environmental improvement, strengthening of technological safety in the developed countries), c) inadmission of mixing the economic and philosophical problems (aim of life, etc.).

Concept of stable economic growth.

SUBJECT 5. ROLE OF THE STATE IN A MARKET ECONOMY

I. MARKET FIASCOS AS A PREREQUISITE FOR ECONOMIC INTERVENTION BY THE STATE.

Public goods (their demand and supply, costs and benefits analysis, optimal extent of public goods production). Collateral or external (environmental, etc.) costs in the economy. Market fiascos in the social sphere and in maintaining competition and stability during economic growth. Wagner's law.

II. ROLE OF THE STATE IN ESTABLISHING THE FRAMEWORKS FOR ECONOMY FUNCTIONING

The role of juridical laws and customary legislation in a market economy. Creation and regulation of juridical (laws, standards, rules, etc.) and institutional (courts, arbitration, police, central bank, etc.) economic environment. Creation of an economic climate (taxes, subsidies, amortization rates, custom duties, etc.) Problem of "stow-away" causes theorem. The need to maintain a competitive environment "Free Riders".

III. THE STATE AS AN OWNER AND ENTREPRENEUR. ITS ROLE AND THE LIMITS OF PRIVATIZATION.

State property in the market economy. Problem of state enterprises efficiency. Nationalization and privatization. The voucher privatization in Russia, its progress, results, limits and contradictions. Problem of an efficient owner.

IV. STATE REGULATION OF THE ECONOMY

Economic policy and state regulation of economy. Conflict of state regulatory aims, logical polygons. Basic directions of economic policy for the following areas: financial, credit-monetary, conjuncture (anticyclic and antiinflationary), employment, structural and regional, growth, scientific and technical, and social progress.

Indicative planning and conflict resolution?

SUBJECT 6. FINANCIAL SYSTEM AND FINANCIAL POLICY OF A STATE

I. FINANCIAL SYSTEM

Finance as an economic category (narrow and broad approaches). The financial system and its elements (public finance, finance of economic entities, finance of population). Finance economy and its basic functions (allocation, redistribution, stabilization).

Public revenues, public expenses, budget. Notions of budget deficit and profit. Public expense and its effect on ousting or attracting investment. Problem of state budget deficit.

Problem of a state loan, its peculiarities in Russia. Methods of covering the state budget deficit: curtailment of expenditures, growth of taxes, conversion into state loan.

II. TAXES: THEIR ESSENCE AND FUNCTION

Tax as an obligatory payment to the state. Tax types: direct and indirect, net taxes. Proportional tax.

Two main tax functions: fiscal and regulating. A. Laffer effect and curve.

Fiscal state policy: tax usage and public expense. State expense multiplier. Tax multiplier. Built-in stabilizers: progressive tax rate in the state budget revenues; wage indices; unemployment benefits and others in the state budget expenditures.

SUBJECT 7. CREDIT-MONETARY SYSTEM OF A STATE. THEORETICAL FOUNDATIONS OF CREDIT-MONETARY POLICY

I. CREDIT AND ITS FORMS

Credit principles: recovery, servicing. Narrow notion of interest as a credit payment. Interest as a money value. Essential credit forms: commercial and banking. Restriction of commercial credits. Importance of commercial credits in Russia. Consignments, credit against goods and prepayment. Non-payments in Russia as an obligatory commercial credit. Liquidation of the commercial credit restriction within the frameworks of the banking credit. Consumer, government, international credit. Interest rate level by credit types, role of the length and risk level. Nominal and real interest.

II. RUSSIAN BANKING SYSTEM

Peculiarities of the Russian banking system. History: the Soviet one-level system, the State bank and specialized banks. Emergence of commercial (private) banks. Role of the Russian CB. Role of the Savings Bank. Peculiarities of Russian bank operations: ultrashort-term nature, low level of the real economic sector crediting, increased importance of crediting the export-import firms, crediting by the government. Scarce number of depositors in passive operations. Low reliability.

III. MONETARY STOCK

Proportions of mass of commodities and monetary stock in the market. Fisher's formula ($MV = PQ$). Special role of velocity. Marxist formulae of the money quantity which is necessary for circulation. Their similarity in principle and differences from Fisher's formula. Conclusions from the exchange equation:

- 1) interconnection between money quantity and inflation;

- 2) interconnection between money quantity and production extent (monetary and non-monetary trends of influence on production).

Classical dichotomy.

IV. MONEY SUPPLY AND MONEY DEMAND

Money supply. Principle of inclusion in the monetary stock of all those which are capable of fulfilling the money functions. Aggregates M0, M1, M2, M3, principles of their construction. “Near money”. Money which is not included in the monetary stock. Monetary stock structure in Russia and in western countries. Barrier between cash and noncash items as a specific point of the USSR and Russia. Money demand as a result of transactions, schedule. Preference for liquidity and preference for investments (profitability), their reasons. General money demand. Money demand and supply schedule and formation of interest rate level in the country.

V. THEORETICAL MODELS AND PRACTICE OF CREDIT-MONETARY POLICY.

Generation of credit money. Full and private reserves. Establishment of a minimal reserve level by state. Role of CB discount rates of interest. Operations in the open market.

Deposit multiplication by bank-monopolist. Deposit multiplication of the whole banking system of the country. Money multiplier (formula).

Mechanism of credit-monetary policy influence on the net gross product (chain of consequences: monetary stock change – interest rate change – change in investments – change of the NGP). M. Friedman’s “money rule”. Indirect nature of the credit-monetary policy influence.

Equality of interest rate and national revenue level, taking into account the situation in commodity and money markets. Model IS-ML. Liquidity and investment trap.

SUBJECT 8. THEORETICAL PROBLEMS OF WORLD ECONOMY

I. WORLD ECONOMY GLOBALIZATION

World economy globalization: factors, directions. Further development of production and capital internationalization. Current reasons for capital export. Forms of capital export (state – private; enterprising – loanable; short-term – long-term; direct and portfolio investments). Transnational corporations and banks. International technologies transfers.

New international division of labor. Formation of global systems: finance, information, commodities and services promotion. Globalization risks.

II. DEGREE OF ECONOMY OPENNESS. PROTECTIONISM AND TRADE FREEDOM

Open and closed economy. Indices of openness. Open economy multiplier. Uneven development of national economies.

- A. Smith and D. Ricardo's theory of comparative advantage as a theoretical justification for world trade liberalization. Advantages of free trade. Arguments in favor of protectionism (national security, protection of national manufacturers, provision of employment, formation of "young" economic sectors). Selected protectionism.

Negative consequences of the Russian economy shocked by openness.

III. BALANCE OF PAYMENTS AND EXCHANGE RATE

Balance of payments structure. Current operations. Foreign trade, services flow balance. Capital flow balance. Net balance of payments and its components. Problem of external economic equilibrium. Notion of exchange rate. Floating and fixed exchange rate. Factors which determine its value. Purchasing power parity.

STUDY MATERIALS (All editions in Russian)

A.A. Boulatov. Economics. Moscow, 1999.

3. **Belyaeva I. Yu., Eskindarov M.A.**, Capital of Finance-Industrial Corporate Structures: Theory and Practice. M., FA, 1998.
 4. **Belyaeva I. Yu.**, Integration of corporate Capital and Formation of Finance-Industrial Elite. Russian experience. M., FA, 1999.
 5. **Course on Transient Economy**, ed. By Abalkin L.I., M., Finstatinform, 1997.
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