

MASTER'S DEGREE EXAMINATION: **ECONOMICS**

1. Gross Domestic Product (GDP) and its components. Rules for computing GDP.
2. Is GDP a perfect measure of social welfare? What are other measures of economic welfare?
3. Determinants of aggregate consumption spending. Different theoretical positions (Keynesian approach, permanent income theory, life cycle hypothesis). Wealth effect.
4. Determinants of investments. Investments, business cycles and economic growth.
5. Impact of taxes on economic growth. Discuss the problem of excessive taxation.
6. Government's intertemporal budget constraint. Ricardian Equivalence.
7. Role of the state in economic life: institutions, public goods supply, income redistribution.
8. What is money? Discuss main functions of money. Money demand function.
9. How levels (and change) of nominal interest rates are controlled by central banks? Why central banks regulate interest rates instead of money supply?
10. Impact of interest rate regulation by central bank on real economy.
11. Unemployment and its sources. Equilibrium unemployment and natural rate of unemployment.
12. Discuss some theories of unemployment (tax wedge, efficiency wage hypothesis, insider - outsider theory).
13. Classic and Keynesian explanations of unemployment, its sources and ways of reducing it.
14. Microfoundations of price and wage stickiness.
15. IS-LM model and its application to economic policy presentation.
16. Applying IS-LM model discuss potential impact of fiscal policy in closed economy.
17. Applying IS-LM model discuss potential impact of monetary policy in closed economy.
18. AD – AS model.
19. Applying AD – AS model show the economy's reaction to supply – side and demand shocks.
20. Give a description of typical business cycle and explain its mechanism.
21. Inflation, deflation and their measures. Economic growth under inflation (deflation).
22. Social costs of inflation. Deflationary policy.
23. Phillips curve. What is the relation explained by the model?
24. What is stagflation? Show reasons of stagflation applying AD – AS model.
25. Inflation and unemployment are “bads” for the economy. Which of them you treat as more serious?
26. Impact of expectations on behaviour of economic subjects. Rational expectations hypothesis.

27. Main social benefits from international trade. Ricardian comparative advantage theory and Heckscher - Ohlin theory.
28. Should the government protect its domestic industries from foreign competition? Give arguments supporting protectionism and against it.
29. Factors determining exchange rate level. What happens to economy and trade in case of increase (decrease) of exchange rate of its currency?
30. Economic consequences of expansionary and restrictive fiscal policy in open economy.
31. Economic consequences of expansionary and restrictive monetary policy in open economy.
32. Mundell - Fleming model: a tool to analyse output changes being a result of fiscal and monetary policy in open economy.
33. Budget deficit and methods of its financing. Public debt limits: how much can the government borrow?
34. Supply – side economics. Laffer curve.
35. Economic growth: definition and measures of growth. Discuss different factors of economic growth (proximate and fundamental sources).
36. Theory of economic growth: Solow model. Convergence debate.
37. How governments could affect growth? What are the potential consequences?
38. Price and income elasticity of demand as instrument to analyse consumer behaviour on the product market.
39. Substitution and income effect. Compensated demand function.
40. Increasing and diminishing returns to scale in production.
41. Production functions. Isoquant.
42. Short – run and long – run cost functions.
43. Accounting and economic cost.
44. Comparative analysis of perfect competition and full monopoly.
45. Equilibrium of the firm in perfect competition model in the short and long run. Profit-maximising output choice and demand for variable production factor.
46. Firm and industry equilibrium on a perfect competition market in the short and long run.
47. Profit- maximising output and demand for production factors in monopoly. Social cost of monopolistic power.
48. Price discrimination in monopoly and rules of setting prices by a monopolistic firm.
49. Exit and entry barriers. Barriers and their impact on competition in industry.
50. Oligopolistic competition. Cournot and Stackelberg models.
51. Cartel as an example of strategic behaviour.
52. Monopolistic competition: maximisation of profit in the short and long run.
53. Demand for production factors. Equilibrium on the production factor markets under perfect competition, monopoly and monopsony.
54. Household as labour supplier. Labour supply and wages.
55. Labour demand and supply, equilibrium on the labour market in perfect competition, monopsony and with active trade unions.

56. Intertemporal consumer choice model. Distribution of savings and consumption in time. Impact of interest rate changes on decisions made by households.
57. The impact of risk and uncertainty on household decisions and on insurance markets.
58. Market failures and public sector decisions.
59. Limits of government intervention (government failure).
60. Natural monopoly. Justification for natural monopoly regulation.
61. Time value of money.
62. Externalities as market failure examples. Coase theorem. How externalities could be internalised?
63. Public goods and problems with their supply.
64. Asymmetric information and decisions taken by agents: adverse selection and moral hazard.
65. Asymmetric information and principal-agent problem.
66. Application of game theory to analyse strategic behaviour. Nash equilibrium. Prisoner's dilemma game.
67. General equilibrium theory. Two fundamental theorems of welfare economics.
68. Pareto optimum. Definition and characteristic features of this social optimum concept.
69. Optimum consumer choice with different preferences.

References:

Basic:

1. P. Samuelson, W. Nordhaus: *Economics*, 18th edition, McGraw-Hill 2004
2. R. Frank: *Microeconomics and Behavior*, 7th edition, McGraw-Hill 2008
3. Ch. Jones: *Macroeconomics*, W.W. Norton Company, 2008
4. G. Mankiw: *Macroeconomics*, 6th edition, Worth Publishers 2006
5. R. S. Pindyck, D. L. Rubinfeld: *Microeconomics*, 7th edition, Prentice Hall 2008

Supplementary:

1. M. Katz, H. Rosen: *Microeconomics*, 3rd edition, McGraw- Hill, 1998
2. W. Nicholson: *Microeconomic Theory. Basic Principles and Extensions*, 6th – 10th editions (10th edition 2007), South-Western College Pub
3. B. Snowdon, H. Vane, P. Wynarczyk: *A Modern Guide to Macroeconomics. An Introduction to Competing Schools of Thought*, Edward Elgar 1995
4. Other books on micro- and macroeconomics at the intermediate level