

Belarus State Economic University Educational institution

APPROVED

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PROGRAM
of the additional entrance interview
in the discipline “ Economic Theory”
at the second stage of higher education (master’s degree)

2018

NOTE

The additional entrance interview program is developed for those who enter the second stage of higher education (master's degree) on the basis of standard curricula of the academic disciplines of the I stage of higher education:

The content of the program is of a complex systemic interdisciplinary nature and is aimed at identifying the general professional and special knowledge as well as skills received at the first stage of higher education required for admission to the master's stage.

The program determines the list of issues that are necessary for passing the entrance interview, and includes a list of recommended literature in which normative, scientific, educational and other materials are presented.

The admission to the second stage of higher education implies that a bachelor who is admitted to take the interview in the specialty should show a high level of theoretical and practical training, mastering of economic terminology and skills in working with economic scientific literature, knowledge of the current legislation, understanding and ability to analyze the processes occurring in the economy, competence in matters related to the development of economic relations, economic activities, and the ability to apply their knowledge to solve specific research and applied problems.

An additional entrance interview is conducted orally with interview cards containing 2-3 below-mentioned questions. The mark of the interview is set on a ten-point scale.

List of questions

1. Economics as a sphere of social activity. The subject, functions and branches of economic theory.

Economy as a sphere of the activity of the society. Economics. General and particular economic sciences. The subject and functions of economic theory. Economic categories and economic laws. Branches of economics.

2. Methods of economics. Marginal analysis. Functional analysis. Equilibrium analysis.

Methods of economics: general and particular. A systematic approach to the study of economic processes. Marginal, functional and equilibrium analysis. Positive and normative economic science.

3. Needs (wants) as a prerequisite for production. Classification and basic characteristics of needs (wants).

Needs (wants) as a prerequisite for production. Classification and basic characteristics of needs and wants. Economic interests and their classification.

4. Resources (factors of production). Classification and characteristic of resources. Scarcity of resources.

Economic resources (factors of production). Labor. Land and non-renewable natural resources. Capital. Real (physical) and cash capital. Fixed and circulating capital. Depreciation and obsolescence of fixed capital. Entrepreneurship. Scarcity of resources.

5. Economic goods: types, main characteristics. Scarcity of economic goods.

Economic goods: types, main characteristics. Substitutes and complementarity goods. Scarcity of economic goods.

6. The problem of choice in economy. Production possibility of society and their frontiers. The law of increasing opportunity costs. The problem of efficiency.

The problem of choice in economy. Fundamental questions of economic development of society: what, how and for whom to produce? Production capabilities of society and their frontiers. Transformation curve (Production-possibility frontier). Opportunity costs. The law of increasing opportunity costs.

7. The economic system of society, its elements and levels. Traditional economy. Classic capitalism. Command economy. Mixed economy.

The economic system of society. The classification criteria and types of economic systems. Traditional economy. Market economy (classic capitalism). Command economic system. Mixed economy. Economic transformation.

8. Institutions in economics. Formal and informal institutions.

The concept and characteristics of institutions. Types of institutions. Natural and artificial, internal and external institutions. Economic institutions. Institutional structure and institutional environment. Institutes and organizations.

9. The concept of property. Subjects and objects of property. Types and forms of property. Nationalization and privatization.

The concept of property. Subjects and objects of property. Types and forms of property. Institutional property rights theory. Nationalization, denationalization, privatization.

10. Market: concept, functions, origins of market relations.

Concept of market, preconditions of market relations. Functions of the market. Market economy and its main features: private property, free pricing, competition.

11. Classification of markets. Market infrastructure. Market “fails”.

Classification of markets. Local, regional, national, global market. The market of goods and the market of resources. Market infrastructure. Elements and functions of market infrastructure. Market “fails” and government regulation of market.

12. Market economy: concept and models. Circulation of resources, products and money in a market economy.

The concept of a market economy. Circulation of resources, products and money in a market economy. Market economy models. Liberal and social models.

13. Demand. Price and non-price factors of demand.

Demand and the law of demand. Price and non-price factors of demand. The demand function. Graphical interpretation of demand (Demand curve). Change in demand and change in quantity demanded. Individual and market demand.

14. Supply. Price and non-price factors of supply.

Supply. The law of supply. Supply function and supply curve. Price and non-price factors of supply. Change in supply and change in quantity supplied.

15. Market equilibrium. Shortage and surplus on market. Changes in supply and demand.

Market equilibrium. Equilibrium price. Consequences of price changes. Market shortage and surplus. Buyer and seller surplus.

16. Concept of elasticity. Price elasticity of demand. Income elasticity. Price elasticity of supply.

Concept of elasticity. Price elasticity of demand. Calculating of price elasticity of demand. Midpoint formula of elasticity. Factors affecting price elasticity of demand.

Income elasticity of demand. Calculating of income elasticity of demand. Normal, luxury and inferior goods.

Price elasticity of supply. Calculating of price elasticity of supply. Factors affecting price elasticity of supply. Short-term and long-term equilibrium and elasticity of supply.

17. Implementation the laws of supply and demand for the analysis of economic processes.

Price elasticity of demand and total revenue. Impact of elasticity on consumer surplus and producer surplus. Price elasticity of supply and demand and the distribution of tax burden.

18. Household as an economic entity. The concept of rational consumer. Total and marginal utility. The law of diminishing marginal utility.

Household as an economic entity. The concept of rational consumer. The concept of utility. Total and marginal utility. The law of diminishing marginal utility. Cardinal approach to the evaluation of utility. Marginal utility per dollar.

19. Consumer preferences and budget constraint. Consumer equilibrium and utility maximization rule.

Ordinary approach to consumer behavior. Utility function and consumer indifference curve. Properties of indifference curves. Indifference map.

Budget constraint. Budget constraint line and its properties. Graphic interpretation of consumer equilibrium.

20. Firm as an economic entity. Main goal and functions of a company. Production periods.

Firm, organization, enterprise: concept and classification. The concept of a rational producer. Goals and functions of firms. Short-term and long-term production periods. Fixed and variable factors of production.

21. Production in short-run period. Total, average and marginal product. The law of diminishing marginal product.

Production and technology. Production function, its characteristics.

Production choice in short term. Production with one variable factor (input). Total, average and marginal product: concept, measurement, interrelation. The law of diminishing marginal product.

22. Production in long-run period. Production function. Concept of isoquants.

Production choice in long-run period. Production with two variable factors (inputs). Isoquants.

Map of isoquants. Marginal rate of technological substitution. Substitution of factors of production.

23. Concept and classification of cost. Accounting and economic costs.

Concept and classification of costs. External (explicit) and internal (implicit) costs. Accounting and economic costs. Sunk cost.

24. Production cost in the short term: dynamic and interrelation.

Production cost in the short-run period. Fixed and variable costs. Total, average, marginal costs.

Dynamics and interrelation of costs. Graphic interpretation of costs.

25. Production costs in the long term. Scale effect. Optimal firm size.

Production cost in the long-run period. Scale effects: positive, negative, constant. The problem of optimal firm size.

26. Isocost. Producer's equilibrium in long-run period. Cost minimization rule.

Isocost. Isocost map Producer's equilibrium. Cost minimization in long run. Minimizing costs for a given volume of output. Cost minimization at different volumes of output.

27. Revenue and profit of a firm. The profit maximization rule.

Revenue and profit of a firm. Total, average, marginal revenue. Normal profit. Economic and accounting profit. The profit maximization rule.

28. Factor markets. Demand for factors of production. The elasticity of demand for factors of production.

Factor markets. Demand for resource. Marginal resource product and marginal resource cost (MRP and MRC). Firm demand curve for a resource. Elasticity of demand for a resource. Non-price factors of demand for resource. Supply of resource. Perfect and imperfect competition in resource market. Equilibrium in resource market.

29. Labor market. Demand and supply in a labor market. Wage. Nominal and real wages.

Labor market. Demand for labor. Individual and market labor supply. Equilibrium in competitive labor market. Labor market in the conditions of imperfect competition.

Wage. Nominal and real wages. Forms and payroll systems. Differentiation of wages. Minimal salary. Discrimination in labor market.

30. Capital market and its structure. Capital market equilibrium. Nominal and real interest rates. Investment. Discounting and net present value.

Capital market and its structure. Demand for capital. Investment. The impact of interest rates on the demand for investment. Capital supply. Household savings as the main source of capital supply. Impact of interest rate on the supply of savings.

Capital market equilibrium. Short-term and long-term investments. The concept of present value. Net present value and long-term investments.

31. Land market. Demand and supply of land. Land rent. The price of land.

Land as a factor of production. Scarcity of the land resources.

Land market. Demand and supply of land. Equilibrium in the land market. Economic rent as the price of land.

32. Entrepreneurship and profit. Functions and sources of profit.

Entrepreneurship as a factor of production. Economic role of entrepreneurship. Economic profit. Concepts of profit.

33. National economy: concept and structure. Open and closed economy. The system of national accounts (SNA) and its main indicators.

National economy and its general characteristics. Open and closed economy. System of National Accounts (SNA). Institutional units of SNA. Macroeconomic agents (sectors) of an economy.

34. Gross domestic product (GDP). Methods of calculation GDP.

Gross domestic product (GDP). Principles of calculating GDP. Intermediate goods and services. Added value. Production method for calculating GDP. Calculation of GDP by expenditure and by income. The problem of the reliability of the calculation of GDP. Other indicators of the system of national accounts.

35. Nominal and real GDP. Price index.

Nominal and real GDP. Price index. Laspeyres and Paasche indices. GDP deflator. Deflation and inflation.

36. Economic cycle and its phases.

Macroeconomic instability and economic cycles. Economic (business) cycle and its phases. Concepts of economic (business) cycles.

37. Inflation: definition and forms. Economic and social consequences of inflation. Anti-inflationary policy.

Inflation: definition and measurement. Forms of inflation. Demand inflation and cost inflation. Consequences of inflation. Anti-inflationary policy.

38. Unemployment: concept and types. Economic and social consequences of unemployment. Government employment policy.

Employment and unemployment. Types of unemployment (frictional, structural, cyclic, natural). Measurement of unemployment. Economic costs of unemployment. Okun's law.

39. Essence of money. Functions of money. Money supply, monetary aggregates.

Evolution of money. Essence of money and their functions. Monetary aggregates. Money supply.

40. Monetary system of a country.

Monetary system and its structure. Central Bank and its functions. Commercial banks and their functions. Non-banking financial institutions.

41. Demand for money.

Money market. Demand for money and its types. The main theoretical approaches to explaining the demand for money. Transaction and speculative demand for money. Nominal and real demand for money. Demand curve for money.

42. Money supply. Money multiplier. Equilibrium in the money market.

Money supply. Monetary aggregates. Reserve requirement. Reserve requirement ratio. Currency drain ratio. Bank multiplier. Monetary base and money supply. Money multiplier. Equilibrium in the money market.

43. Financial system. Government budget: concept, revenues and spending. Taxation.

The concept of financial system, its structure and functions. Public and private finance. Government budget. Government revenues and government spending.

Concept of the tax system and its elements. Taxation: essence and principles. Taxes and fees (duties). Types and functions of taxes.

44. Budget deficit and public debt.

Central government budget, local budgets, consolidated budget. Functions of a state budget. The concept of budget deficit and budget surplus. Concept of public debt.

45. Fiscal policy: concept, goals, tools and types. The effectiveness of fiscal policy.

Concept, goals, tools and types of fiscal policy. Discretionary fiscal policy. Non-discretionary fiscal policy. The effectiveness of fiscal policy. Crowding out effect.

46. Monetary policy: concept, goals, tools, types. Effectiveness of monetary policy.

Monetary policy, its goals and instruments. Direct and indirect tools of monetary policy. Regulation of bank interest rate. Changing the required reserves ratio. Open market operations. Effectiveness of monetary policy. Liquidity trap. Investment trap.

47. Social policy: concept, goals and models.

Social policy: concept and levels. Objects and subjects of social policy. Models of social policy.

48. Concept of World economy. Subjects and structure of world economy. International division of labor.

Global economy and prerequisites of its formation. Subjects of World economy (households, firms, states, international economic organizations, integration groups of countries). Structure of the World economy (geographical, social, in terms of income, in terms of development, in terms of openness). International division of labor: forms and factors of development.

49. Forms of international economic relations. International trade in goods and services.

International capital market. International labor migration.

Forms of international economic relations: trade in goods and services, international capital flows, labor migration, monetary and financial relations, R&D cooperation. Contemporary trends in the global economy.

50. Balance of payments: concept, principles of composition and structure.

Balance of payments and its structure. Current account. Capital account. Account of official (foreign exchange) reserves.

Reading list

- 1 Baumol, William J., and Alan S. Blinder. *Economics: Principles and Policy*. Mason, OH: South-Western Cengage Learning.
- 2 Boyes, William, and Michael Melvin. *Economics*. Mason, OH: South-Western Cengage Learning.
- 3 Frank, Robert H., and Ben Bernanke. *Principles of Economics*. New York: McGraw-Hill.
- 4 Krugman, Paul, and Robin Wells. *Economics*. New York: Worth Publishers.
- 5 Mankiw, N. Gregory. *Principles of Economics*. Mason, OH: South-Western Cengage Learning.
- 6 Samuelson, Paul A., and William B. Nordhaus. *Economics*. New York: McGraw-Hill.
- 7 Schiller, Bradley R., Cynthia D. Hill, and Sherri L. Wall. *The Economy Today*. New York: McGraw-Hill.
- 8 Taylor, John, and Akila Weerapana. *Principles of Economics*. Mason, OH: South-Western Cengage Learning.
- 9 OpenStax, ed. *Principles of Economics*. N.p.: Rice U, 2014.