

## **QUESTIONS FOR MASTER FINAL STATE EXAM MACROECONOMICS AND MICROECONOMICS**

**Academic year 2019/2020**

1. Explain differences between how economy functions in the short run and in the long run. Characterize causes of economic cycle and methods of stabilizing the economy.
2. Characterize process of economic growth, how economic growth is explained by neoclassical growth model and explain so called absolute and conditional convergence.
3. Characterize macroeconomic equilibrium in closed economy using IS-LM model. What are the effects of monetary and fiscal policy on output and interest rate? Characterize liquidity trap and investment trap.
4. Explain which subjects determine money supply. What are main determinants of money demand? Characterize equation of exchange and quantitative theory of money.
5. Characterize a link between inflation and unemployment and possibility of trade-off between 'two bads' in the long run and in the short run. Explain role of inflation expectations.
6. Characterize determinants of consumption. Explain a process of multiplication of expenditures.
7. Characterize determinants of exchange rate. Explain a link between exchange rate and balance of payments. How does efficiency of monetary and fiscal policy depend on monetary regime?
8. Characterize unemployment, its causes and possible solutions. Explain a link between economic growth and unemployment.
9. Define utility, total utility, and marginal utility. Explain when consumer reaches equilibrium according to a cardinal approach. Analyze when consumer reaches equilibrium according to an ordinal approach. Discuss the impact of income and prices on the formation of individual demand for goods and services.
10. Explain the essence of production functions and their importance for a firm. Describe a short-run production function, discuss the impact of the law of diminishing returns from variable input on firm's output. Analyze the long-run production function, the cost optimum of the firm, and the impact of returns to scale on the output of a firm.
11. Explain the difference between explicit and implicit costs, accounting and economic costs. Analyze firm's costs in the short and the long run. Discuss the impact of returns from variable input and returns to scale on the shape of the cost curves of a firm. Explain the essence and meaning of the envelope curve for decision-making of a firm.

12. Characterize perfect competition and a company in conditions of perfect competition, analyze its decisions about the output in the short run and long run, discuss the accounting and economic profit. Explain the problem of minimizing loss in a short period. Analyze the formation of the supply of a firm in the short and long run. Explain the influence of input prices on the LIS curve.
13. Explain the reasons for creation of a monopoly. Analyze a monopoly in terms of price and output decision-making. Explain why a monopoly uses price discrimination, discuss its forms and target. Assess the positive and negative aspects of monopoly regulation.
14. Describe an oligopoly and reasons for its creation. Explain why decisions making in oligopoly is a strategic decision. Point out the differences among oligopoly models in terms of price and output decision making. Discuss company models and their decision making based on game theory.
15. Characterize a firm in conditions of monopolistic competition. Explain why is the individual demand curve for the production of a firm in monopolistic competition highly elastic. Explain how a company decides about price, output and profit in the short and long run. Compare monopolistic competition with a monopoly.
16. Discuss the specificities of the factor market. Explain why there is a difference between income from the marginal product of the production factor in perfect and imperfect competition. Analyze a firm's decision on the factor market by optimizing the production factors and forming a firm's individual demand for the production factors.