State exam EKS_E: questions

1. Utility and Choice. Measuring utility. Assumptions about utility. Voluntary trades and indifference curves. Utility maximization. Using the model of choice: the impact of consumer theory for doing business.

2. Individual Demand. Demand factors. Changes in income. Changes in a good´s price. The importance of substitution and income effects for the given good supplier. The lump-sum principle. Change in the price of another good. Construction of individual demand curves. Shifts of individual demand curves. Consumer surplus.

3. Market Demand and Elasticity. Market demand curves: construction, shifts. Price elasticity of demand. Price elasticity and time. Price elasticity and total expenditures. Demand curves and price elasticity. Income elasticity of demand. Cross-Price elasticity of demand.

4. Uncertainty. Probability and Expected value. Expected utility. Fair game. Risk aversion. Methods for reducing risk.

5. **Game Theory.** Basic concepts. Equilibrium. Nash equilibrium. Dominant strategies. Prisoners´ dilemma. Mixed strategies. Multiple equilibria.

6. **Production.** Production functions. Marginal product. Isoquant maps. Rate of technical substitution. Returns to scale. Input substitution. Changes in technology.

7. **Costs.** Economic cost. Labor costs. Capital costs. Cost-minimizing input choice. The firm´s expansion path. Average and marginal costs. Short run costs. Per-unit short-run cost curves. Shifts in cost curves.

8. **Profit maximization and Supply.** Nature of firms. Profit maximization. Total, average and marginal revenues. Supply decisions of a price-taking firm.

9. **Perfect Competition in a Single Market.** Timing of a supply curve. Pricing in the very short run. Short-run supply. Short-run price determination. Shifts in supply and demand curves. Short-run supply elasticity. Long-run supply. Shape of the long-run supply.

10. **Applying the Competitive model.** Consumer and producer surplus. Ricardian rent. Economic efficiency. Price control and shortages. Tax incidence. International trade restrictions.

11. **General Equilibrium and Welfare.** A perfectly Competitive Price System. A simple general equilibrium model. The efficiency of perfect competition. Why markets fail to achieve economic efficiency. Efficiency and equity. The Edgeworth box diagram for exchange.

12. **Monopoly.** Causes of monopoly (barriers of entry). Profit maximization. Monopoly supply curve. Monopoly profits. Monopoly and resource allocation. Monopolistic distortions and transfers of welfare. Price discrimination.

13. **Imperfect Competition.** Cartel outcome. Cournot model. Bertrand model. Product differentiation. First-mover advantages. Price leadership. Monopolistic competition.

14. **Pricing in Input Markets.** Marginal productivity theory of input demand. Profit maximizing behavior. Price-taking behavior. Responses to changes in input prices. Substitution and output effects. Monopsony.

15. **Input Supply.** Labor supply. Allocation of time. Income and substitution effects of a change in the real wage rate. Market supply curve for labor.

16. **Capital and Time.** Time periods and the flow of economic transactions. Individual savings – the supply of loans. Firms´demand for capital and loans. Determination of the real interest rate. Present discounted value.

17. **Asymmetric Information.** Principal -agent model. Moral hazard. Adverse selection. Warranty and insurance contracts. Asymmetric information in competitive markets. Signaling.

18. **Externalities and Public Goods.** Defining of externalities. Externalities and allocational efficiency. Property rights, bargaining, and the Coase theorem. Externalities with high transaction costs. Public goods.

19. **Consumption.** The Keynesian consumption function. Model of intertemporal allocation. Life-Cycle Theory. Permanent-Income Theory. The Keynesian consumption function and effects of interest rate and wealth.

20. **Investment.** Neoclassical model of investment. Fixed investment - marginal revenue product of capital, marginal cost of capital, optimal quantity of capital, demand for fixed investment, accelerator vs. multiplier. Investment and fiscal and monetary policy. Investment into inventories.

21. **The product-expenditure model.** Assumptions of model. Four-sectors economy. Equilibrium product. Multiplier. Effects of changes of multiplier and changes of autonomous expenditures upon equilibrium product. Basic macroeconomic identity.

22. **Money supply.** Money functions. Money aggregates. Balance sheets of the central bank and commercial bank. Multiple deposit creation. The money multiplier.

23. **Money demand.** The quantity theory of money – Fisher´s and Cambridge versions. The Keynes´ theory of preference of liquidity. The Friedman´s demand for money.

24. **Model IS-LM-BP.** Assumptions of model. IS curve - market of goods and services. LM curve - markets of money and other financial assets. BP curve - external equilibrium.

24. **Fiscal and monetary policy in the case of perfect capital mobility.** Fixed and flexible exchange rate. Restrictive and expansive fiscal or monetary policy.

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26. **Fiscal and monetary policy in the case of imperfect capital mobility.** Fixed and flexible exchange rate. Restrictive and expansive fiscal and monetary policy.

27. **Exchange rate.** Exchange rate market. Theory of purchasing power parity – absolute and relative versions. Interest rate parity theory. Synthesis of purchasing power parity and interest rate parity.

28. **Labour market.** Unemployment rate. Types of unemployment. Natural rate of unemployment and full employment. Classical model. Keynesian model. Monetarist model

29. **Aggregate demand and aggregate supply model in a closed economy.** Aggregate demand – definition, derivation of aggregate demand curve from IS –LM model, shifts of aggregate demand curve. Aggregate supply – sticky-wage model, worker misperception model, imperfect information model.

30. **Fiscal and monetary policy in the aggregate demand and aggregate supply model**. Situations in the short term and long term.

31. **Phillips curve.** Wage and price version of Phillips curve. Situations in the short term and long term. The effect of expectations.