

Course: Economic Theory

Teaching hours: 60h

Prerequisites: The course is primarily open to all PhD students at Gdansk University of Technology.

This course is compulsory for PhD students assigned to Economics&Finance track at Doctoral School of GUT

Course outline

Content

This course is designed to provide the students professional knowledge on two fields macroeconomic and microeconomic theory. Primary it aims to provide knowledge on basic AD-AS model, pricing mechanisms leading toward equilibrium, national accounts and gross product formation, macroeconomic equilibrium models, which form the analytical core of macroeconomics, monetary and fiscal policies, real business cycle model, inflation and unemployment theories, economic and development growth theories. It tackles fundamental aspects of labour economics, public economic. The course will also combine the microeconomic module that will give insight into microeconomic foundations of market analysis and drawing conclusions. The students will learn on utility theory, consumers behaviours and marginal effects, firm theory and productivity analysis, market structures and companies strategies in various forms of market organizations. The course presents selected issues in microeconomics and industrial organization with a number of extensions and applications in modern economic modelling. In wider perspective, this course will provide students` knowledge on the role of information on the market, market failures, stochastic economic process and the nature of economic laws.

General topics coverage:

Macroeconomic module:

1. Macroeconomic laws, economics as (non)experimental science
2. AD-AS model of an economy, prices, demand versus supply mechanism
3. National accounts
4. Macroeconomic models, general equilibrium model, IS-LM model
5. Monetary markets, inflation process and theories, monetary policy and price stability in open economy, external shock effects
6. Fiscal policies, optimal taxation concepts, budget economies
7. Business cycle analysis including time series analysis, real business cycle theory
8. Fundamentals of economic growth theories, unified growth theory, economic and non-economic determinants of economic development

Microeconomic module:

1. Consumer demand. Budget constraint and preferences. Utility, utility maximization. choice and individual demand. Slutsky equation. Intertemporal choice and uncertainty. Market demand.
2. Producer behaviour. Technology. Profit maximization. Cost minimization. Firm supply and industry supply.
3. Market structure and strategy. Perfect competition. Monopoly and monopoly pricing. Oligopoly and game theory. Market power. Market structure and its measures.
4. Firm symmetry or asymmetry. Dixit – Stiglitz monopolistic competition model and its application. Firms symmetry versus firms heterogeneity. Melitz model.
5. Selected aspects of industrial organization. Structure-Conduct-Performance Paradigm. Competitive and uncompetitive behavior of firms. Collusive agreements and cartels. BE-COMP diagram. Competitive rivalry and innovation intensity of firms.

Teaching mode

There will be 60 hours of lectures, to be completed during the first and/or second semesters of PhD programme. The teaching method is basically exercises combined with active discussion and students participation, and specific tasks to be completed using dedicated software. During the course students will be asked to think critically, analyse and interpret the results of their work. The course is entirely delivered in English.

Examination

As part of the examination/final grade the students will be obliged to answer questions that will be discussed during lectures. The final examination is a written essay (details to be agreed with the professor responsible for the course).

Fundamental readings:

1. Gregory Mankiw, *Macroeconomics*, 2009 and conseq.
2. Paul A. Samuelson, William D. Nordhaus, *Economics*, multiple editions Galí, J. (2015). *Monetary policy, inflation, and the business cycle: an introduction to the new Keynesian framework and its applications*. Princeton University Press.
3. Røed, K. (1997). Hysteresis in unemployment. *Journal of economic Surveys*,11(4), 389-418.
4. Ball, L. M. (2009). Hysteresis in unemployment: old and new evidence (No. w14818). National Bureau of Economic Research.
5. Pichelmann, K., & Schuh, U. (1996). The NAIRU-Concept: A few remarks (No. 36). *Reihe Ökonomie/Economics Series*, Institut für Höhere Studien (IHS).
6. Ball, L., & Mankiw, N. G. (2002). The NAIRU in theory and practice. *The Journal of Economic Perspectives*, 16(4), 115-136.

7. McAdam, P., & Mc Morrow, K. (1999). The NAIRU Concept-Measurement uncertainties, hysteresis and economic policy role(No. 136). Directorate General Economic and Financial Affairs (DG ECFIN), European Commission.
8. Lucas, R. E. (1980). Methods and problems in business cycle theory. *Journal of Money, Credit and banking*, 12(4), 696-715
9. Akerlof, G. A., Dickens, W. T., Perry, G. L., Bewley, T. F., & Blinder, A. S. (2000). Near-rational wage and price setting and the long-run Phillips curve. *Brookings papers on economic activity*, 2000(1), 1-60.
10. Ball, L., & Moffitt, R. (2001). Productivity growth and the Phillips curve (No. w8421). National Bureau of Economic Research.
11. Forder, J. (2014). *Macroeconomics and the Phillips curve myth*. OUP Oxford.
12. Friedman, M. (1968). The role of monetary policy. *The American economic review*, 58(1), 1-17. Clarida, R., Gali, J., & Gertler, M. (2000). Monetary policy rules and macroeconomic stability: evidence and some theory. *The Quarterly journal of economics*, 115(1), 147-180.
13. Varian H. (2010) *Intermediate Microeconomics. A Modern Approach Eighth Edition*. W. W. Norton & Company,
14. Cabral, L. M. (2012). *Introduction to industrial organization*. MIT press.
15. Dixit, A. K., & Stiglitz, J. E. (1977). Monopolistic competition and optimum product diversity. *The American Economic Review*, 67(3), 297-308.
16. Melitz, M. J. (2003). The impact of trade on intra-industry reallocations and aggregate industry productivity. *Econometrica*, 71(6), 1695-1725.
17. Bernard, A. B., Jensen, J. B., Redding, S. J., & Schott, P. K. (2012). The empirics of firm heterogeneity and international trade. *Annu. Rev. Econ.*, 4(1), 283-313.
18. Baldwin, R., & Wyplosz, C. (2006). *The Economics of European integration*. New York, Chapter 6. Aghion P., Bloom N., Blundell R., Griffith R., & Howitt P. (2005). Competition and Innovation: An Inverted-U Relationship. *Quarterly Journal of Economics*, 120(2), 701-728.
19. Brodzicki T. (2018) The intensity of market competition and the innovative performance of firms, *Innovation Organization and Management*, DOI:10.1080/14479338.2018.1532296