

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

SIMON KUZNETS KHARKIV NATIONAL UNIVERSITY OF ECONOMICS

ECONOMIC THEORY

**Guidelines
for practical work
of Bachelor's (first) degree students
of all specialities**

**Kharkiv
S. Kuznets KhNUE
2020**

UDC 330.8(07.034)

E45

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Затверджено на засіданні кафедри економічної теорії та економічної політики.

Протокол № 11 від 30.03.2020 р.

Самостійне електронне текстове мережеве видання

Economic Theory [Electronic resource] : guidelines for practical
E45 work of Bachelor's (first) degree students of all specialities / compiled
by N. Stepanenko, T. Cherkashyna, A. Lytvynenko, A. Mordovets. –
Kharkiv : S. Kuznets KhNUE, 2020. – 45 p. (English)

The guidelines for practical work on the academic discipline are given. The guidelines aim to provide the students with skills related to the use of concepts and categories of economic theory, thorough comprehension of the essence of economic phenomena and processes, providing basic fundamental theoretical preparation that is necessary for further study of other economic disciplines, deep understanding of laws and key economic trends in the development of global society.

For Bachelor's (first) degree students of all specialities, all forms of study.

UDC 330.8(07.034)

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Introduction

Economic development of modern society causes different problems related to the functioning of economic processes and economic phenomena. Study and understanding of objective economic laws as well as principles and methods of management are the basis for determination of major economic policy objectives and chief instruments of economic policy. The theoretical comprehension of globalization processes of the modern world is possible only in the conditions of cognition of fundamental principles of the functioning and development of national economies, understanding of their close relationship and trends of formation of global economic society. The academic discipline "Economic Theory" is a basic economic discipline, so it is studied according to the curriculum of preparation of Bachelor's (first) degree students of all specialities, all forms of study.

The aim of the academic discipline is to provide the students with the theoretical system of knowledge about concepts and categories of economic theory, thorough comprehension of the essence of economic phenomena and processes, providing basic fundamental theoretical preparation that is necessary for further study of other economic disciplines, deep understanding of laws and key economic trends in the development of global society.

The actuality of the study of the academic discipline "Economic Theory" in Ukraine is caused by the necessity of formation of the system of economic knowledge and further development of key trends in modern economic systems.

One type of practical work is writing of essays. Students choose the themes of essays independently, based only on their personal interests and preferences. Each student must write the essay individually. The assignments are intended, through the experience of writing and rewriting, to improve students' skills as a critical reader, writer, and researcher. The size of the essay is about 5 sheets including the title and the list of references. The teacher will estimate the following: the ability to carry out critical and independent estimation of vital questions, to explain alternative view points and prove their own position, the use of analytical approaches, the quality and clearness of reasoning, the logic, the structure and validity of conclusions, the independence of performance of work.

Content module 1

The general issues of modern economy

Theme 1. Introduction to economic theory

- 1.1. The development of economic thought.
- 1.2. The subject matter and functions of economic theory.
- 1.3. The methods of economic theory.

The purpose of studying the theme is to form students' knowledge about the contribution of main economic schools to the definition of economic theory as a science as well as skills and competences in the use of general and specific methods of scientific knowledge.

Practical task

Determine which of the following statements (1 – 10) are true and which are false. Prove your answer.

1. Economic theory is a science that studies relations between people in the process of production, distribution, exchange and consumption of goods and services.
2. A. Montchrestien is the author of the fundamental work "The Wealth of Nations" that was published in 1776.
3. T. Malthus, J. Mill, J. Say, D. Ricardo, A. Smith are the representatives of the English classical school.
4. English classical school is the school of economic thought which focused on the free trade policy.
5. E. von Böhm-Bawerk, J. Clark, W. Jevons, C. Menger, A. Marshall, L. Walras, K. Wicksell are the representatives of the physiocratic school.
6. The practice function of economic theory states that economic theory is the basis for other disciplines, in particular macroeconomics, microeconomics, regional economics, global economics, social economics, economics of firms, environmental economics, labor economics, economics of taxation, etc.
7. The methodological function of economic theory states that economic theory is the basis for economic policy of a country.

8. There are three groups of economic laws: universal, general and specific laws.
9. Special economic laws operate only under commodity production.
10. Normative economics concerns what is in the economy.

Problem tasks

Task 1. Fill in Table 1.1.

Table 1.1

Economist	Fundamental work	Contribution to the economic theory
M. Friedman		
F. Hayek		
W. Jevons		
J. Keynes		
F. Quesnay		
R. Coase		
A. Marshall		
K. Marx		
A. Montchrestien		
D. Ricardo		
P. Samuelson		
A. Smith		
T. Veblen		

Task 2. Determine the representatives of the main schools of economic thought (Table 1.2).

Table 1.2

No.	Representative	Denotation	School of economic thought
1	J. Keynes	A	English classical school
2	A. Marshall	B	Marginalism
3	L. von Mises	C	Keynesian economics
4	A. Smith	D	Ordoliberalism

Task 3. Determine what each of the economists thought about the subject matter of economic theory (Table 1.3).

Table 1.3

No.	Economic thinker	Denotation	Subject matter of economic theory
1	M. Friedman	A	It studies the most effective allocation of economic resources
2	J. Keynes	B	It studies the causes of the wealth of nations
3	P. Samuelson	C	It teaches people how to make money
4	A. Smith	D	It proves that the government needs to actively intervene in the economy

Task 4. Determine the key feature of each method of economic theory (Table 1.4).

Table 1.4

No.	Method	Denotation	Feature
1	Analysis	A	It is used to investigate economic processes in detail
2	Synthesis	B	It moves from general economic assumptions to application of them to practice
3	Inductive method	C	It is used to compose different components of economic processes as a whole
4	Deductive method	D	It moves from specific economic observations to their generalization

Task 5. Divide the examples of economic laws (a – g) into three groups (Table 1.5).

Table 1.5

Universal laws	General laws	Specific laws

- a) the law of increase in human needs;
- b) the law of saving time;
- c) the law of diminishing returns;
- d) the demand law;
- e) the law of money circulation;

- f) the law of value;
- g) the law of diminishing marginal utility.

Task 6. Classify the following statements (a – h) as normative or positive (Table 1.6).

Table 1.6

Normative statements	Positive statements

- a) the functions of economic theory are the following: methodological, practical, cognitive, forecast;
- b) American dollar and euro play the role of world money nowadays;
- c) inflation is a sustainable rise in the average level of prices of goods and services;
- d) actual unemployment rate is calculated as a sum of natural and cyclical unemployment rate;
- e) actual unemployment rate was 9.3 % in Ukraine in 2019;
- f) nominal GDP of Ukraine was 150.4 bln dollars in 2019;
- g) the owners of land get rent as an income;
- h) SE "Ukrzaliznytsia" is an example of monopoly in Ukrainian economy.

Heuristic tasks

Task 1. It is known that many researchers contributed to the definition of the subject matter of economic theory. Using the following criteria explain why their viewpoints differ:

- a) social origin of the researcher;
- b) times when researcher's viewpoint was formed;
- c) the level of economic development of the country in which the researcher lived;
- d) the aim of his/her fundamental work.

Task 2. The representatives of monetarism (Chicago school) thought that economic theory must teach people only how to make money and get rich. Do you agree that economic problems are only limited to financial problems? What actual economic problems should modern economic theory study?

Task 3. Does any society need economic science? Explain why technical sciences are not enough to solve actual economic problems.

Task 4. Economic experiments are very expensive and long. Is it possible to change them on econometric models? Prove your answer.

Essays

1. The contribution of Nobel prize winners (M. Friedman, F. Hayek, S. Kuznets, E. Phelps, P. Samuelson, J. Stiglitz) to the economic theory.

2. The contribution of Ukrainian scientists (M. Ziber, E. Slutsky, M. Tuhon-Baranovsky, V. Vernadsky) to the economic theory.

3. The experience of practical application of scientific economic theories in the United States.

4. Economic laws and their role in the modern economic world.

Guidelines for writing essays

The students need to choose one of the topics from the four above and write an essay on about five sheets including the title and the references. In the essays students should make a point – not a statement of fact, but an interpretation – and support it persuasively with evidence from publications. In order to do this, students should use scientific works by, at least, five economists and give the reason "for" and "against" through brief quotations from the proper publications. All quotations must be properly and thoroughly documented. The technical requirements to the design of the essay are: sheet size A4; font Times New Roman; font size 14; interline spacing 1.5; indention 1.25 cm; 20 mm right, upper, lower border size, 30 mm left border size.

Theme 2. Economic system and the basis of its development

2.1. Economic needs and economic interests. Production possibilities of society.

2.2. Economic system, its essence and main types.

2.3. Property in the system of public production.

The purpose of studying the theme is to form students' knowledge about social and economic structure of society as well as skills and competences related to the analysis of different economic systems, definition of their

advantages and disadvantages, analysis of different types and forms of property, understanding the problems of property in Ukrainian and global economies.

Practical tasks

Task 1. Calculate the opportunity cost of the computers in each production alternative using the data in Table 2.1.

Table 2.1

Goods (thousand pieces)	Production alternatives		
	A	B	C
Computers	4	2	0
Mobile phones	0	4	8

Guidelines for doing task 1

In order to do this task, use the following formula:

$$\text{Opportunity cost of computers (AB)} = \frac{C(A) - C(B)}{M(B) - M(A)}, \quad (2.1)$$

where $C(A)$ is the volume of production of computers at point A;

$C(B)$ is the volume of production of computers at point B;

$M(A)$ is the volume of production of mobile phones at point A;

$M(B)$ is the volume of production of mobile phones at point B.

Substituting the data in the formula (2.1), we obtain:

$$\text{Opportunity cost of computers (AB)} = \frac{4 - 2}{4 - 0} = 0.5.$$

$$\text{Opportunity cost of computers (BC)} = \frac{2 - 0}{8 - 4} = 0.5.$$

Task 2. Table 2.2 presents production possibilities for coffee machines and washing machines.

Table 2.2

Type of product (thousand pieces)	Production alternatives				
	A	B	C	D	E
Coffee machines	0	3	6	9	10
Washing machines	11	9	6	4	0

Do the following:

- a) plot the production possibilities curve (PPC);
- b) calculate the opportunity cost of the washing machines in each production alternative;
- c) give your opinion whether it is possible to produce 10 coffee machines and 9 washing machines and explain why;
- d) give your opinion whether it is possible to produce 3 coffee machines and 4 washing machines and explain why.

Problem tasks

Task 1. Determine the example of each type of needs (Table 2.3).

Table 2.3

No.	Examples	Denotation	Types of needs
1	Health	A	Physiological needs
2	Sense of connection	B	Safety needs
3	Creativity	C	Love and belonging
4	Sleep	D	Self-actualization

Task 2. Determine the key feature of each type of economic systems (Table 2.4).

Table 2.4

No.	Type of economic systems	Denotation	Key feature
1	Traditional economy	A	Active role of government
2	Capitalist (or market) economy	B	Economic freedom, competition and profit motive
3	Command (or socialist) economy	C	It provides economic development and social welfare
4	Mixed economy	D	It is a subsistence economy

Task 3. Determine the example of each type of property in Ukrainian economy (Table 2.5).

Table 2.5

No.	Enterprise	Denotation	Types of property
1	CE "Voda"	A	State
2	SE "Malyshev plant"	B	Common
3	PJSC "Turboatom"	C	Private
4	PE "Olena"	D	Municipal

Task 4. Define the features (a – i) of each type of production factors (Table 2.6).

Table 2.6

Capital	Land	Labour

- a) there are three forms of this production factor: physical, human and money;
- b) supply of this production factor is fixed;
- c) rent is an income from this production factor;
- d) this production factor is perishable;
- e) when this production factor is used in production, it gives a surplus value;
- f) this production factor is immobile;
- g) plants, buildings, buses, cars, roads are examples of this production factor;
- h) the law of diminishing returns acts for this production factor;
- i) wage is an income from this production factor.

Task 5. Choose the key features of traditional economy:

- a) maximization of social welfare;
- b) absence of monopolies;
- c) profit motive;
- d) nonprofit motive;
- e) the same products are produced by every generation;
- f) indicative planning.

Task 6. Choose the key features of mixed economy:

- a) it produces only to its consumption requirements;
- b) no extreme economic inequality;
- c) coexistence of state, common and private property;
- d) central planning;
- e) Germany belongs to this type of economic systems;
- f) efficient resource allocation.

Heuristic tasks

Task 1. Assume that country A produces only two types of goods: coffee machines and washing machines. Explain verbally and show graphically how

each of the following events influences the production possibilities curve of country A:

- a) technological advance in the production of washing machines but not in the production of coffee machines;
- b) technological advance in the production of both goods;
- c) opening of a natural gas field;
- d) an increase in prices of natural gas;
- e) a devastating hurricane;
- f) growth of population;
- g) a wave of immigration;
- h) an increase in human productivity in the production of coffee machines but not in the production of washing machines.

Task 2. Explain the difference between needs and wants. Define what modern Ukrainian society needs now. Does it differ from Chinese society?

Task 3. Compare the things you want in summer and winter and fill in Table 2.7.

Table 2.7

Things I want in summer	Things I want in winter

Task 4. Using the law of increase in human needs, place the following economic needs in the hierarchical sequence: clothing, travelling, water, sport, food, computer games, entertainment, money, estate, sleep.

Task 5. Using Maslow's hierarchy of needs, place the following economic needs in the hierarchical sequence: self-actualization, physiological needs, self-esteem, safety and security, social needs.

Task 6. Form your own hierarchy of needs based on the law of increase in human needs and Maslow's hierarchy of needs. Define which needs are primary for you and which needs are secondary.

Guidelines for doing tasks 5 and 6

Abraham Maslow, a famous American researcher, thought that all human needs can be categorized into a hierarchy. The first level of the

hierarchy is physiological needs, for example, food, shelter, clothing, sleep, etc. The second level of the hierarchy is safety and security, namely health, employment, property, family, social stability, etc. The third level of the hierarchy is love and belongness such as friendship, intimacy, sense of connection. The third level of the hierarchy is self-esteem that includes confidence, achievement, respect for others, and a need to be a unique individual. The top of the hierarchy is self-actualization that states morality, creativity, acceptance, experience, purpose, meaning and inner potential.

Essays

1. Mixed economic systems, their advantages and disadvantages.
2. Problems of property relations in Ukraine.

Theme 3. Organization of production

- 3.1. The main modes of public production.
- 3.2. The value of product.
- 3.3. Money, its origin and essence.

The purpose of studying the theme is to form students' knowledge about the modes of public production as well as skills and competences related to the estimation of different forms of commodity production, analysis of the theories of value (the theory of three production factors, the labor theory, the marginal theory of utility), analysis of the operation of the law of value.

Practical tasks

Task 1. Calculate the marginal utility of sushi at each level of consumption using Table 3.1.

Table 3.1

Sushi consumed, items	Total utility, utils
1	90
2	150
3	190
4	210
5	220

Guidelines for doing task 1

In order to solve this task, use the following formula:

$$MU = \frac{\Delta TU}{\Delta Q}, \quad (3.1)$$

where MU is marginal utility;

ΔTU is the increase of marginal utility;

ΔQ is the increase in the quantity of goods.

Substituting the input data in formula (3.1), we obtain:

$$TU_2 = 150 \text{ utils} - 90 \text{ utils} = 60 \text{ utils.}$$

$$TU_3 = 190 \text{ utils} - 150 \text{ utils} = 40 \text{ utils.}$$

$$TU_4 = 210 \text{ utils} - 190 \text{ utils} = 30 \text{ utils.}$$

$$TU_5 = 220 \text{ utils} - 210 \text{ utils} = 10 \text{ utils.}$$

Task 2. The average price level increased by 5 %, the real input decreased by 10 %, the velocity of money slowed down by 12 %. Calculate how the quantity of money will change.

Guidelines for doing task 2

In order to solve this task, use Fisher's equation:

$$M \cdot V = P \cdot Q \quad (3.2)$$

or $M = \frac{P \cdot Q}{V},$

where M is the quantity of money;

V is the velocity of money;

P is the average price level;

Q is real input.

As the input data is given in relative units (percent), Fisher's equation can be written as:

$$I_M = \frac{I_P \cdot I_Q}{I_V} .$$

Substituting the input data in the formula below (3.2), we obtain:

$$I_M = \frac{105 \cdot 90}{88} = 107.39.$$

Thus, the quantity of money increased by 7.39 %.

Task 3. Study the information given in Table 3.2.

Table 3.2

Mutton consumed, kg	Total utility, utils
1	12
2	20
3	26
4	31
5	34

- calculate the marginal utility of mutton;
- plot a marginal utility curve.

Task 4. The quantity of money increased by 7.5 %, the real input increased by 4 %, but the velocity of money did not change. Calculate how the average level of prices will change.

Task 5. The quantity of money in the economy is 900 bln euros. The average price level increased by 7.5 %, the real input decreased by 1.5 %, the velocity of money slowed down by 2.8 %. Calculate: a) how the quantity of money changed; b) the quantity of money.

Problem tasks

Task 1. Determine the representative of each theory of value (Table 3.3).

Table 3.3

No.	Representative	Denotation	The theory of value
1	E. Böhm-Bawerk	A	The theory of three production factors
2	K. Marx	B	The labor theory
3	J. Say	C	The theory of surplus value
4	A. Smith	D	The marginal theory of utility

Task 2. Determine the examples of each type of money (Table 3.4).

Table 3.4

No.	Examples	Denotation	Types of money
1	Bitcoin, Bytecoin, Ethereum, Ripple, Litecoin, Dash, Monero, STRAT	A	Commodity money
2	Bank checks, credit cards, debit cards	B	Fiat money
3	Gold, silver	C	Commercial bank money
4	Dollar, euro, hryvnia, lire	D	Electronic money

Task 3. Determine the key feature of each type of inflation (Table 3.5).

Table 3.5

No.	Type of inflation	Denotation	Key feature
1	Crowded inflation	A	It is a decrease in the average price level
2	Galloping inflation	B	It is an increase in the average price level by less than 10 %
3	Hyperinflation	C	It is an increase in the average price level by more than 10 % but less than 100 %
4	Deflation	D	It is an increase in the average price level by more than 100 %

Task 4. Determine which of the following statements (1 – 7) are true and which are false. Prove your answer.

1. There are two basic concepts of the origin of money: rationalistic and evolutionary.

2. In its evolution, money acted in the following forms: metal, paper and credit.

3. In today's environment, the function of the world money is performed by the euro and the dollar.

4. The value measure is performed by real money, and the circulation function is complete.

5. When paying salaries to employees of the budget sector, money performs the function of circulation.

6. With the abolition of the gold standard system, paper money began to function as a means of accumulation.

7. Inflation is a decrease in the average price level.

Heuristic tasks

Task 1. Specify the sequence of organization of production:

- a) market economy;
- b) economic separation of producers;
- c) commodity production;
- d) free exchange of resources;
- e) subsistence farming;
- f) social division of labor.

Task 2. Specify in which sequence the following value theories were developed:

- a) neoclassical;
- b) marxist;
- c) labor;
- d) marginalist.

Task 3. Fill in Table 3.6 to define the economists (a – h) as representatives of the labor theory of value and the theory of marginal utility.

Table 3.6

Labor theory of value	Theory of marginal utility

- a) A. Smith;
- b) C. Menger;
- c) K. Marx;
- d) W. Petty;
- e) L. Walras;
- f) E. von Boehm-Bawerk;
- g) W. Jevons;
- h) D. Ricardo.

Essays

1. Social division of labor and its impact on economic development.
2. Problems of inflation in Ukraine and in the world.

Theme 4. Production and its efficiency

- 4.1. The structure and essence of social production.
- 4.2. Factors of production.
- 4.3. Economic efficiency of social production.

The purpose of studying the topic is to develop students' knowledge of the essence of production and its factors, as well as skills in the analysis of the role of individual factors of production in the context of limited economic resources, calculation of economic efficiency of social production.

Practical tasks

Task 1. The cost of fixed assets is 100 thousand UAH. The number of employees is 600 people. The volume of production is 1200 thousand UAH. Determine the level of labor productivity and the level of capital productivity.

Guidelines for doing task 1

In order to calculate the level of labor productivity, the following formula must be used:

$$Pr = Q / Fw, \quad (4.1)$$

where Pr is labor productivity;

Q is the volume of production;

Fw is the average number of workers (labor).

Thus, Pr = 2 thousand UAH.

The following formulas must be used to calculate the level of return on investment and capital:

$$Fv = Q / Af, \quad (4.2)$$

$$Fm = Af / Q, \quad (4.3)$$

where Fv is the return on investment;

Fm is capital intensity;

Q is production;

Af is the cost of fixed assets (capital).

Thus, Fv = 12 UAH and Fm = 0.83 UAH.

Task 2. As a result of the use of new equipment, the number of workers engaged in the manufacture of men's socks has decreased by 2 times and their labor productivity has increased by 4 times. Determine how the physical volume of products has changed.

Task 3. Determine which of the following statements (1 – 10) is correct and which is incorrect. Explain your answer.

1. Economic services are always quantitatively limited.
2. Economic goods are divided into goods and services.
3. Labor is a factor of production, but it is not an economic resource.

4. Entrepreneurial ability is a factor of production, but it is not an economic resource.

5. Production and labor need not be different.

6. Performance is a characteristic of effort during activity.

7. The indicators of social efficiency of production are the size of GNP and NI per capita; the share of the consumption fund in NI, the standard of living of the population, the quality of life of the population, or the human development index "IDP".

8. The indicators of economic efficiency are labor productivity, labor intensity, material efficiency, material intensity, capital efficiency, capital intensity.

9. Resources and factors of production are the same categories.

10. The environmental factor of production is a system of specialized activities and costs aimed at the rational use of natural resources, environmental protection, as well as its reproduction.

Heuristic tasks

Task 1. Analyze the phases of social production and determine which of them plays a decisive role. Justify and illustrate the answer with examples from economic practice.

Task 2. Divide the sectors of economy into material and intangible production: health care, industry, agriculture and forestry, arts, sports, tourism, culture, legal services, transportation, communications, education, trade, construction. Complete Table 4.1.

Table 4.1

Material production	Intangible production

What is the difference between goods and services?

Task 3. Draw a table, in which columns distinguish the means and objects of work: tools, mechanisms, machines, minerals given by nature; pipes, barrels, tanks; buildings, roads, canals; raw materials, semi-finished products, equipment, structures.

Essays

1. Classification of factors of production.
2. Factors of economic efficiency in Ukraine.

Theme 5. Market: the essence and functions. The mechanism of functioning of the market

- 5.1. Market: the essence, types and functions.
- 5.2. The fundamentals of the theory of supply and demand.

The purpose of studying the theme is to form students' knowledge of the essence of the market, its basic types, functions, infrastructure, as well as skills in the analysis of the basic elements of the market and their impact on pricing.

Practical tasks

Task 1. The demand function for apples is $Q_d = -48 + 12 \cdot P$ and the supply function is $Q_s = 62 + 2 \cdot P$, where Q is the quantity of the product; P is its price. Determine the equilibrium volume and the equilibrium price.

Guidelines for doing task 1

In order to calculate the equilibrium price, it is necessary to equate the function of supply and demand:

$$\begin{aligned} Q_d &= Q_s; \\ -48 + 12 \cdot P &= 62 + 2 \cdot P; \\ 12 \cdot P - 2 \cdot P &= 62 + 48; \\ 10 \cdot P &= 110. \end{aligned}$$

Thus, $P = 11$ is the equilibrium price.

In order to determine the equilibrium volume, it is necessary to substitute the equilibrium price in the supply or demand equation:

$$Q = 62 + 2 \cdot 11 = 84 \text{ is the equilibrium volume.}$$

Therefore, the equilibrium price is 11 UAH, and the equilibrium volume is 84.

Task 2. The demand curve for the radio can be represented as: $Q_d = 600 - 20 \cdot P$, where Q_d is the volume of demand per month, P is the price

of the radio (UAH). The supply curve of radios is described by the equation: $Q_s = 300 + 40 \cdot P$, where Q_s is the monthly supply of radios. Determine the equilibrium price and the number of radios sold at that price.

Task 3. Determine which of the following statements (1 – 10) are correct and which are incorrect. Explain your answer.

1. If the market sets a price below equilibrium, then, according to the law of demand, demand will increase.

2. The degree of response of the value of supply to certain factors is called elasticity of supply.

3. The Association of Entrepreneurs is part of the organizational and technical component of the market infrastructure.

4. Market infrastructure reduces the efficiency of the market.

5. Veblen's products show the social status of its owner.

6. The types of financial markets are currency, credit, securities market.

7. The nonprice factors of supply are: consumer income, seasonality, fashion, prices of goods, substitutes and compliments.

8. Market infrastructure is a system of enterprises that provide acceleration of movement of goods, services, money, securities, production resources and raise the efficiency of market functioning.

9. Supply is the amount of goods and services that buyers can and want to buy at a strictly specified price, at a certain interval of time.

10. Giffen products are products that show the social status of the owner.

Heuristic tasks

Task 1. Group the following products: trolleybus, chicken, ketchup, gasoline, cellphone, tea, mayonnaise, oranges, cigarettes, gum, candy, lollipops, exercise book, butter, sunflower oil, margarine, book, coffee, candy, caramel, turkey meat, printer, tram, cartridge, pen, pants, tangerines, car, jeans, sim card, corn oil, sour cream.

Substitution goods	Complimentary goods

Task 2. Show the influence of the following factors on the supply and demand curves (put "+" in the appropriate boxes).

Factors	A shift of the demand curve	Movement along demand	A shift of the supply curve	Movement along the supply curve
Change in consumer monetary income				
Changes in prices for materials and raw materials used to make goods				
Changing fashion for a product				
Changing production technology				
Changing the number of consumers				
Change in the number of vendor suppliers				
Changes in prices for substitute products				
Changes in prices for complimentary goods				

Essays

1. Classification of markets.
2. The land market in Ukraine.

Content module 2 Economic basis of management

Theme 6. Households in the system of economic relations. An enterprise as a commodity producer

- 6.1. Households as a subject of market relations.
- 6.2. An enterprise as a subject of market economy.
- 6.3. The essence of entrepreneurship and conditions of its existence.

The purpose of studying the theme is to develop students' knowledge about the nature of the household, its income and expenses, the content of

the enterprise and entrepreneurship, their main types and functions, as well as the skills in the analysis of the process of the industrial capital cycle.

Practical tasks

Task 1. The nominal value of a share is 80 UAH, of a bond 100 UAH. The dividends per share over the year are 15 UAH, the interest on bonds is 18 %. The rate of the bank interest on deposits is 12 %. Determine the price of stocks and bonds.

Guidelines for doing task 1

The stock or bond rate is their market value, which is calculated by the formulas:

$$\text{Share rate} = \frac{\text{Dividends}}{\% \text{ of bank deposit}} \times 100 \%, \quad (6.1)$$

$$\text{Bond rate} = \frac{\text{Interest rate bonds}}{\% \text{ of bank deposit}} \times 100 \%. \quad (6.2)$$

The economic meaning of these formulas is that a person who sells securities at the market rate receives the amount of money that can be deposited into a bank deposit account and receive income equal to the income from owning this security. So:

$$\text{Bond rate} = \frac{95 \times 0.25}{10} \times 100 = 237.5 \text{ UAH.}$$

Task 2. An entrepreneur has purchased new equipment whose initial cost is 120 thousand UAH, service life is 8 years.

a) What amount of money and for how many years could the entrepreneur lend to another entrepreneur in 2 years?

b) What profit will the entrepreneur receive from this loan if the bank interest rate on deposits is 8 %, while on loans it is 14 %?

c) For what amount of money will the entrepreneur be able to sell this equipment in 3 years with a balance in the labor market?

d) For what amount of money will the entrepreneur be able to sell this equipment in 5 years if the demand exceeds the supply twice? 20 %?

Guidelines for doing task 2

a) Annual depreciation is determined by the formula:

$$\text{Bond rate} = \frac{95 \times 0.25}{10} \times 100 = 237.5 \text{ UAH}, \quad (6.3)$$

so, depreciation over 2 years is: $15 \cdot 2 = 30$ thousand UAH.

The entrepreneur can lend in the amount of 30 thousand UAH until the end of the service life of this equipment, i.e. over 6 years. (Until he has to buy new equipment).

b) In 6 years the entrepreneur will receive the proceeds of the loan:

$$30 \cdot 0.14 \cdot 6 = 25.2 \text{ thousand UAH.}$$

c) After 3 years in the presence of equilibrium in the labor market, the entrepreneur can sell this equipment at a final cost:

$$D_{\text{year}} = \frac{\text{Initial value}}{\text{Service life}}. \quad (6.4)$$

$$\text{Final cost} = 120 - 15 \cdot 3 = 75 \text{ thousand UAH.}$$

d) After 5 years, if the demand exceeds the supply by 2 times the entrepreneur can sell this equipment 2 times more expensive than its final cost:

$$(120 - 15 \cdot 5) \cdot 2 = 90 \text{ thousand UAH.}$$

After 5 years, if the demand exceeds the supply by 20 % the entrepreneur can sell this equipment 20 % more expensive than its final cost:

$$(120 - 15 \cdot 5) \cdot 1.2 = 54 \text{ thousand UAH.}$$

Task 3. An entrepreneur has purchased new equipment whose initial cost is 660 thousand UAH, service life is 15 years.

a) What amount of money and for how many years could the entrepreneur lend to another entrepreneur in 7 years?

b) What profit will the entrepreneur receive from this loan if the bank interest rate on deposits is 12 %, on loans it is 18 %?

c) For what amount of money will the entrepreneur be able to sell this equipment in 2 years if there is a balance in the labor market?

d) For what amount of money will the entrepreneur be able to sell this equipment in 2 years if the supply exceeds demand twice? by 10 %?

Task 4. The nominal value of a share is 100 UAH, of a bond – 120 UAH. The dividends per share over the year amount to 12 UAH, the interest on bonds is 10 %. The rate of the bank interest on deposits is 8 %, on loans it is 12 %. Determine the price of shares and bonds.

Task 5. 150 million UAH was spent on production facilities, 92 million UAH was spent on equipment, 25 million UAH was spent on raw materials and fuel. The organic structure of production is $C/V = 3/1$. The turnover of fixed capital took about 10 years, working capital turnover is 3 times per year. Determine the capital upfront and the annual production costs.

Task 6. An entrepreneur paid 260 thousand UAH for production facilities, 90 thousand UAH for the purchase of cars, 45 thousand UAH for fuel, 190 thousand UAH for equipment, 45 thousand UAH for the wages of workers with piece work payment, 6 thousand UAH for raw materials, 14 thousand UAH for vehicles, 16 thousand UAH for semi-finished products, 13 thousand UAH for hourly wages. Determine the value of fixed and working capital, fixed and variable capital, organic capital structure.

Task 7. Advance for production facilities is 300 thousand UAH, their service life is 30 years; advance for equipment is 70 thousand UAH, its service life is 7 years; advance for wages paid once a month makes 10 thousand UAH; for raw materials and fuel purchased 3 times a year it is 20 thousand UAH. The enterprise produces 100 thousand units of products per year. Determine: the capital advanced, annual production costs, unit costs, the number of capital revolutions per year.

Task 8. An entrepreneur bought a machine for 230 thousand UAH. Its service life is 10 years. After 4 years of service it was morally obsolete. The cost of such machines has remained unchanged, and labor productivity has increased by 2 times. Determine the amount of damage from moral deterioration. What is the type of moral wear and tear?

Task 9. An entrepreneur purchased equipment for 100 thousand UAH. Its service life is 10 years. 8 years later, new equipment was released, with the same service life and productivity, but the cost of 80 thousand UAH. Determine the amount of damage from moral deterioration. What is the type of moral wear and tear?

Task 10. An entrepreneur bought new equipment. The cost of the equipment was 450 thousand UAH, its service life was 15 years, its productivity was 60 thousand units per year. 12 years later, similar equipment was released. Its cost corresponded to the cost of the previous version, its service life was the same and its productivity was 75 thousand units per year.

Calculate the amount of damage from the moral deterioration of the equipment and the final cost of the old equipment after 12 years of service.

Task 11. An entrepreneur has advanced 300 thousand UAH for production facilities; 400 thousand UAH for the purchase of cars; 20 thousand UAH for fuel; 500 thousand UAH for equipment; 50 thousand UAH for wages of workers (piece rate workers); 40 thousand UAH for raw materials; 18 thousand UAH for vehicles; 16 thousand UAH for semi-finished products; 30 thousand UAH for wages of workers (they get paid per hour). Calculate the value of advanced, fixed and working capital, fixed and variable capital.

Guidelines for doing tasks 5 – 11

You need to use the solution to task 1 to solve task 4. You need to use the solution to task 2 to solve task 3.

You need to use theoretical material on the nature of the advanced, fixed and working capital to solve tasks 5 – 11.

You can use theoretical material on the essence of depreciation of fixed capital and obsolescence and physical deterioration to solve tasks 8 – 10. You need to determine the depreciation per unit of production of old and new equipment to solve these tasks. And then you can compare the values obtained.

The difference in depreciation per unit of output of new and old equipment is multiplied by the annual productivity of the old equipment (the number of units per year) to determine the damage caused by obsolescence. Then this value must be multiplied by the number of years during which obsolescence occurs.

Self-test questions

1. What is an enterprise? What is the main goal of an enterprise?
2. List the main types of enterprises.
3. Explain the difference between the sole proprietor and partnership.
4. Explain the difference between the partnership and the corporation.
5. List the main conditions of the existence of entrepreneurship.
6. What are the key characteristics of entrepreneurship?
7. What kind of person is called an entrepreneur? What kind of skills must an entrepreneur have?
8. Are you planning to be an entrepreneur? What entrepreneurial skills do you have?

9. What are the features of entrepreneurship in Ukraine?
10. How can effective management influence the profitability?

Heuristic tasks

Task 1. The profit of the enterprise after payment of the income tax is divided into two parts:

the consumption fund which is part of the profit that the co-owners receive in the form of dividends by paying dividend tax in advance;

the accumulation fund which is part of the profit that remains at the disposal of the enterprise.

Some economists insist on the replacement of this capital tax system. This means that part of the dividend payout must be taxable.

Do you think this proposal is able to stimulate economic development?

Task 2. Accelerated depreciation increases the amount of depreciation and reduces net income. However, entrepreneurs are interested in it. Why?

Essays

1. Types of enterprises in Ukraine.
2. Areas of economic growth in Ukraine.

Theme 7. Competition and monopoly

7.1. Competition and its essence.

7.2. Market models.

The purpose of studying the theme is to develop students' knowledge of the essence of competition, its main types, as well as the ability to analyze different models of the market and the relationship between competition and pricing.

Practical task

Determine which of the following statements are correct and which are incorrect. Explain your answer.

1. A firm monopolist has control over volume and price.
2. Trusts, concerns, unions, cartels, conglomerates are forms of natural monopolies.

3. Due to cross-industry competition, the market value of the same type of goods of the same quality is established.

4. Monopolies are classified as pure and absolute depending on the reasons of occurrence.

5. There is one commodity producer in the oligopoly market who completely controls the volume of supply of goods or services on the market.

6. Horizontal integration is an association of enterprises in one industry.

7. There are a huge number of firms in the monopoly market. It cannot affect the prices of goods and services.

8. Imperfect competition is a market situation where no commodity producer can influence the price.

9. Cross-industry competition is a competition between entrepreneurs of different industries influencing the price of a product.

10. One of the features of a free competition market is spontaneous pricing.

11. In the modern world we have imperfect competition.

12. One of the areas of competition is to increase production efficiency.

Heuristic tasks

Task 1. Analyze the difference between the two models of the market based on the criteria, fill in Table 7.1. Justify your answer.

Table 7.1

Criteria	Monopoly market	Free competition market
A number of firms supplying goods to the market		
Freedom to enter and exit the market		
Participation of firms in controlling the market price and production volume		
Examples		

Task 2. Analyze the difference between the two models of the market based on the criteria, fill in Table 7.2. Justify your answer.

Table 7.2

Criteria	Oligopoly market	Market of monopolistic competition
A number of firms supplying goods to the market		
Freedom to enter and exit the market		
Participation of firms in controlling the market price and production volume		
Examples		

Task 1. Determine the main categories and concepts of competition (Table 7.3).

Table 7.3

No.	Basic term	Letter	Definition
1	Competition	A	The economic situation where a company or association of several companies produces and supplies a part of the product to the market. This allows the company to influence the price
2	Domestic competition	B	Competition between enterprises in different industries for the most profitable investment of capital
3	Cross-industry competition	C	Competition between enterprises in the same industry for the best conditions of production and sale of their products
4	International competition	D	Competition between enterprises in different industries for the most profitable investment of capital
5	Perfect competition	E	Competition of economic entities for the most favorable economic conditions for the best results with maximum profit
6	Imperfect competition	F	Competition between enterprises in the same industry for the best conditions of production and sale of their products

Essays

1. Monopolies: their advantages and disadvantages.
2. Antitrust law in Ukraine and in the world.

Theme 8. Economic growth. Macroeconomic instability

- 8.1. Indicators of economic development.
- 8.2. Economic growth and economic development.

8.3. Cyclical economic development.

8.4. Employment and unemployment.

The purpose of studying the theme is to develop students' knowledge about the essence of economic growth and economic development, the process of cyclical fluctuations, employment rate and level of actual unemployment.

Practical tasks

Task 1. Absolute indicators of real GDP (in billion US dollars) in country A over the past 10 years are given in Table 8.1.

Table 8.1

Indicator	Years									
	1	2	3	4	5	6	7	8	9	10
GDP	102	130	137	120	90	95	115	118	122	143

Determine the level of the GDP growth:

a) in the percentage in each previous period;

b) in the percentage over the whole period (10 years).

Guidelines for doing task 1

GDP is the value of all final produced products in a given country by both residents and non-residents over a given period.

a) To calculate the dynamics of GDP as a percentage over each previous period, use the following formula:

$$\text{GDP}_{\text{growth rate}} = (\text{GDP}_{\text{analysed period}} / \text{GDP}_{\text{base period}}) \cdot 100 \%. \quad (8.1)$$

The base period is the period selected as a benchmark (Table 8.2).

Table 8.2

Indicator	Years									
	1	2	3	4	5	6	7	8	9	10
GDP	102	130	137	120	90	95	115	118	122	143
GDP _{growth rate} (%)	–	127	105	88	75	105	121	103	103	117

b) The dynamics of GDP as a percentage over the whole period (10 years) can be determined by two methods:

the first method is based on the use of formula (8.1), where for the analyzed period, the 10-year indicator is used, and for the base of comparison, the 1-year indicator is taken;

the second method is to determine the dynamics over a certain period on the basis of relative indicators (growth rates to the previous period). To do this, it is necessary to multiply growth rates in the point "a" in the form of coefficients, and multiply by 100 %:

$$\text{GDP}_{\text{growth rate (over 10 years)}} = (1.27 \cdot 1.05 \cdot 0.88 \cdot 0.75 \cdot 1.05 \cdot 1.21 \cdot 1.03 \cdot 1.03 \cdot 1.17) \cdot 100 \% = 140 \%$$

Task 2. Labor market of two countries C and K is characterized by the indicators given in Table 8.3.

Table 8.3

Country	Population (million)	Unemployed (million)	Retired people (million)	Children under 15 (million)	Unemployment rate (%)
C	340	22	55	31	7
K	282	15	12	28	6

Determine which country has higher actual unemployment rates and higher GDP losses as a result of unemployment.

Guidelines for doing task 2

The actual unemployment rate is determined by the following formula:

$$\text{Actual unemployment rate} = (\text{Unemployed/Economically active population}) \cdot 100 \% \quad (8.2)$$

The number of economically active population is calculated as the difference between the total population and the number of economically inactive population, which, according to the task conditions, include retired people and children under 15:

$$\text{Economically active population} = \text{Total population} - \text{Retired people} - \text{children under 15};$$

so, the level of actual unemployment will be higher in country C:

$$\text{Actual unemployment rate (C)} = (22 / (340 - 55 - 31)) \cdot 100 \% = 8.66 \%;$$

$$\text{Actual unemployment rate (K)} = (15 / (282 - 12 - 28)) \cdot 100 \% = 6.2 \%.$$

GDP losses are calculated according to Okun's law: exceeding the natural rate of unemployment by 1 % results in a GDP loss of 2.5 % of its potential level.

Exceeding the natural rate of unemployment is:

$$\begin{aligned} \text{Actual unemployment rate (C)} &= \text{Actual rate} - \text{Natural rate} = 8.66 \% - 7 \% = \\ &= 1.66 \%. \end{aligned}$$

$$\text{Actual unemployment rate (K)} = 6.2 \% - 6 \% = 0.2 \%.$$

GDP losses are:

$$\text{GDP losses (C)} = 1.66 \% - 2.55 \% = 4.15 \%;$$

$$\text{GDP losses (K)} = 0.2 \% - 2.5 \% = 0.5 \%.$$

So, GDP losses will be higher in country C.

Task 3. The population of country A is 50 million people, the population of country B is 62 million. The number of unemployed in country A is 2 million people, in country B it is 3.2 million people. The number of retired people in country A is up to 15.3 million people, in country B it is 16.8 million people, children under 15 in country A make 9.6 million people, in country B their number is 11 million.

a) In which country is the actual unemployment rate higher?

b) What is the amount of undeveloped GDP in percentage and absolute units (UAH) in both countries if it is known that the frictional unemployment rate in both countries is 2 %, cyclical unemployment is 3 %, the amount of potential GDP in country A is 800 billion UAH, in country B it is 100 billion UAH?

Task 4. For each reason for dismissal, choose the appropriate type of unemployment (Table 8.4).

Table 8.4

No.	Reason for dismissal	Designation	Kind of unemployment
1	Due to bankruptcy of the company	A	Frictional
2	Resigned voluntarily	B	Structural
3	Due to introduction of new automated equipment	C	Cyclic

Task 5. The full employment situation exists in a country where the actual unemployment rate is:

- a) frictional;
- b) cyclic;
- c) natural;
- d) structural;
- e) zero.

Task 6. In a country, population is 10 million, including 2 million children under 15, 3 million retired people, 4 million employed. Determine the actual unemployment rate.

Task 7. Country's population is 5 million, including 1.5 million children under 15, 2.1 million retired people, 0.12 million unemployed, 0.35 million part-time employed people. Determine:

- a) the actual unemployment rate;
- b) the natural rate of unemployment if during this period, the level of structural unemployment was equal to 2.4 % with cyclical unemployment equalling 2.6 %;
- c) the amount of GDP loss due to unemployment.

Task 8. The actual unemployment rate in a country is 10.2 %, and the natural unemployment rate is 5.6 %. Potential GDP is 165 billion (UAH). Determine the GDP losses from cyclical unemployment.

Task 9. The level of frictional unemployment in a country is 3 %, with structural unemployment being 1 % and cyclical unemployment making 2 %. Potential GDP is 200 billion (UAH). Determine the GDP loss as a result of unemployment.

Task 10. Select economically inactive population categories:

- a) working abroad;
- b) housewives;

- c) people doing military or alternative service;
- d) people who have ceased their job search;
- e) people who provide for themselves at the expense of property income.

Task 11. Absolute indicators of real GDP (billion USD) in country A over the last 8 years are given in Table 8.5.

Table 8.5

Indicator	Years							
	1	2	3	4	5	6	7	8
GDP	100	112	118	120	90	92	89	86

Determine the GDP dynamics:

- a) as a percentage of each previous period;
- b) as a percentage of the whole period (8 years).

Task 12. Country's population is 62.5 million. Economically active people make 80 % of the population. One employee produces 5 000 UAH worth of products. Actual GDP of the country is 190 billion UAH. The natural unemployment rate is 6 %. Determine the actual unemployment rate and the cyclical unemployment rate.

Guidelines for doing practical tasks 1 – 12

To solve practical task 11, you need to use the example of solution to practical task 1. To solve practical tasks 3, 6 – 9, 12, use the example of solution to practical task 2 and the theoretical material to determine the actual unemployment rate (formula 8.2), the essence of natural unemployment and the economic consequences of unemployment.

To solve practical tasks 4, 5, 10, it is necessary to use the theoretical material on the nature and types of unemployment, the basics of the division of the population into economically active and inactive.

Self-test questions

1. Why is gross domestic product (GDP) the most important indicator of economic development? What are some disadvantages of GDP calculation?
2. Explain the essence and concepts of economic growth and the relationship between economic growth and economic development.

3. What types and kinds of economic growth do you know?
4. What is cyclical development of an` economy?
5. How can cyclical fluctuations of the economy be distinguished from non-cyclical ones?
6. Describe what is happening in the economy at different stages of the economic cycle.
7. What are the differences between causes of short-, medium- and long-term economic cycles?
8. What are the parameters of working age according to the legislation of Ukraine and the standards of the International Labor Organization?
9. What is the natural rate of unemployment? How is it related to the full employment situation in the economy?
10. Describe frictional, structural and cyclical unemployment.

Heuristic tasks

Task 1. Do a study of the dynamics of real GDP of Ukraine from the 90s to the present. Define: the number of economic cycles, their duration and the rate of decline of the GDP growth, the years of the biggest economic crisis; in which phase of the cycle the economy of Ukraine is at present.

Task 2. The latest global economic crisis took place in 2007 – 2008 in the USA, it was called "mortgage crisis". Investigate its causes and suggest a set of actions that could be taken by the state to prevent its occurrence.

Essays

1. The impact of world crises on the economy of Ukraine.
2. Labor migration and unemployment in Ukraine.

Theme 9. The economic mechanism and the main areas of economy regulation

- 9.1. The economic mechanism, its essence and elements.
- 9.2. Financial system.
- 9.3. Tax system and fiscal policy.
- 9.4. Monetary system. The market of money resources.

The purpose of studying the theme is to develop students' knowledge of the structure of the economic mechanism and state regulation of the economy,

as well as form the skills in the analysis of the financial, tax and monetary systems of the state.

Practical task

Determine which of the statements are correct and which are incorrect. Explain your answer.

1. J. Keynes believed that the state should increase spending, make investments to increase aggregate demand.

2. The need for state regulation of the economy is associated with expanded production.

3. Redistribution of income and providing of social guarantees for work is not a function of the state.

4. The economic function of the state is entrepreneurial activity.

5. The subjects of state regulation are the state, companies and enterprises.

6. The objects of state regulation are processes, relations, branches and spheres of economy.

7. The methods of state regulation are methods of direct and indirect regulation.

8. Administrative, economic and institutional methods of state regulation are distinguished on organizational and institutional grounds.

9. Financial policy is implemented through fiscal policy.

10. The National Bank is the main subject of monetary policy.

11. The interest rate is the percentage at which the National Bank lends to commercial banks.

12. There is directive and indicative planning.

13. When the state develops plans and forecasts, it is an example of microeconomic planning.

14. The economic mechanism includes both a set of organizational and economic relations and an organizational and managerial aspect of the productive forces.

Self-test questions

1. Why does the government mechanism mean the system of economic management?

2. Explain the essence and concepts of the main elements of the economic mechanism and the relationship between them.

3. Name the main elements of the economic mechanism.
4. What is a financial system?
5. How do you understand fiscal methods of production regulation?
6. Describe what happens in the economy without state regulation.
7. What are the differences between the concepts of state regulation?
8. What is the essence, goals, levers (tools) and the main directions of economic regulation?
9. What is the role of finance in the economic mechanism?
10. Describe the market of money resources.
11. Prove the need to improve the mechanism of management in Ukraine.
12. Name the causes of instability of the monetary system.
13. Name the economic functions of the state.

Heuristic tasks

Task 1. Identify direct and indirect taxes: excise duty, value added tax, securities tax, customs duty, inheritance tax, income tax, gold tax, corporation tax, building tax, land tax. Form the answer in a table.

Task 2. Identify the administrative and economic instruments of state regulation of the economy: organizational and structural adjustment, planned production contract with the enterprise, provision of fuel and natural resources, standards, licenses, quotas, state standards, sanctions, prices, regulation of tax rates, government long-term loans to large corporations, subsidies to private enterprises, monetary issue, policy of directive planning, forecasting and programming, indicative planning, public debt servicing by the Central Bank, interest rate regulation and commercial banks' minimum reserve requirements, salary regulation, antitrust regulation, currency regulation. Form the answers in a table.

Which tools are more effective for Ukraine's modern economy?

Please justify and illustrate the examples with economic practice.

Task 3. According to the thoughts of many economists, state regulation is necessary, first of all, in such areas as maintaining a competitive environment, ensuring overall economic stability, social security and balance, overcoming macro-level crises.

What areas of state regulation of the Ukrainian economy would you highlight? Justify your answer.

Essays

1. The concepts of state regulation. The essence, goals, levers (tools) and the main areas of economic regulation.
2. The content, structure and functions of finance. The role of finance in the economic mechanism. The financial system. Public finance.
3. Causes of instability of the monetary system. The need to improve the mechanism of management in Ukraine.
4. The government mechanism: the system of economic management. The main elements of the economic mechanism. Planning and programming.

Theme 10. The world economy. Economic aspects of global problems

- 10.1. World economy: the essence, the main features, the structure and stages of formation.
- 10.2. World economic ties and their forms.
- 10.3. The main global problems of our time.
- 10.4. Problems of Ukraine's integration into the world economy.

The purpose of studying the theme is to develop students' knowledge of the basic features, the structure and stages of the formation of the world economy, as well as to form the skills in the identification of the need to strengthen world economic ties, mastering the main forms of international economic relations, calculating the absolute and comparative advantages in international trade, consideration of the main problems of the present, identification of possible solutions to global problems.

Practical tasks

Task 1. Determine which of the countries has absolute and relative advantages, using the following data:

Country	Cookies	Candies
A	4	3
B	1	2

Guidelines for doing task 1

In this example, country A has absolute advantages in the production of cookies and in the production of candies. At the same time, country A has relative advantages in production, as alternative costs are lower than in country B:

Opportunity cost = Time spent on the production of goods / Time spent on alternative production.

After making the appropriate calculations, we obtain:

Country	Alternative costs for production of cookies	Alternative costs for production of candies
A	3/4	4/3
B	2/1	1/2

In the production of candies, country B has a relative advantage of lower relative costs. Therefore, country A should specialize in the manufacture of cookies, and country B should specialize in the production of candies.

Task 2. Using the data in the table, determine which country has absolute advantages and which has comparative advantages in the production of: a) sunflower oil; b) corn oil. Confirm your answer with calculations.

Country	The number of hours required to produce a unit of production	
	sunflower oil	corn oil
A	7	8
B	10	9

Task 3. Determine which of the statements are correct and which are incorrect. Explain your answer.

1. The objective basis for the formation of the world economy is the social division of labor.

2. International specialization is the economic separation of producers and their specialization of countries in the production of certain types of products.

3. Transnational corporations are subjects of the world economy.

4. A characteristic feature of the modern world economy is the uneven economic development of the countries of the world.

5. Individuals and legal entities are subjects of international economic relations.

6. Monopolies are not subjects of international economic relations.

7. The terms "globalization" and "internationalization" are synonymous.

8. Internationalization implies not only close economic cooperation between enterprises in different countries, but also strengthening legal, political and cultural ties between countries.

9. The main goal of economic integration is to make national economies more open.

10. In today's context, developing countries include Bangladesh, Burma, Mozambique, New Guinea, and Pakistan.

Self-test questions

1. What is international trade?

2. Explain the essence of the world economy.

3. Name the main integration groups of the world.

4. What is the international division of labor and international economic integration?

5. How do you understand the influence of global problems on the economic development of Ukraine?

6. Describe what happens in the economy without the influence of global problems.

7. What are the differences between direct and portfolio investments?

8. What is the essence, goals, levers (tools) and the main areas of economic regulation?

9. What is the essence of global problems?

10. What is the role of the exchange rate?

11. Describe the international movement of capital.

12. What are the differences between national and international monetary systems?

Heuristic tasks

Task 1. The processes leading to economic integration can be presented by the following scheme: development of productive forces – international division of labor – internationalization of production and capital – economic integration. Analyze the relationships between these processes and supply examples of economic practices. Justify your answer.

Task 2. Analyze the basic patterns of development of the world economy at present. Identify the key factors that affect it. Justify your answer.

Task 3. Describe the main forms of international world migration at the present stage of development and analyze their features. Justify and illustrate your answer with examples from economic practice.

Task 4. What are the main global problems? Give real-life examples of the socio-economic impact of these problems.

Task 5. Identify the main factors that affect the global food problem. What are the main ways to solve it?

Task 6. Analyze the impact of multinational corporations on globalization processes in the world and give a valid assessment.

Essays

1. Globalization: its advantages and disadvantages.
2. The problems of integration of Ukraine into the world economy.
3. The essence of the world economy. International division of labor. International economic integration.
4. The main integration groups of the world. International markets.
5. Formation of the global economic system. The influence of global problems on the economic development of Ukraine.

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НАВЧАЛЬНЕ ВИДАННЯ

ЕКОНОМІЧНА ТЕОРІЯ

**Методичні рекомендації
до практичних робіт
для студентів усіх спеціальностей
першого (бакалаврського) рівня
(англ. мовою)**

Самостійне електронне текстове мережеве видання

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Подано методичні рекомендації до виконання практичних робіт з навчальної дисципліни, призначені для отримання студентами практичних навичок щодо використання понятійно-категоріального апарату економічної теорії, ґрунтовного оволодіння сутністю економічних явищ і процесів, забезпечення базової фундаментальної теоретичної підготовки, необхідної для подальшого вивчення циклу економічних дисциплін, глибокого розуміння законів і основних тенденцій розвитку глобального суспільства.

Рекомендовано для студентів усіх спеціальностей усіх форм навчання першого (бакалаврського) рівня.

План 2020 р. Поз. № 118 ЕВ. Обсяг 45 с.

Видавець і виготовлювач – ХНЕУ ім. С. Кузнеця, 61166, м. Харків, просп. Науки, 9-А

*Свідоцтво про внесення суб'єкта видавничої справи до Державного реєстру
ДК № 4853 від 20.02.2015 р.*