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УЧРЕЖДЕНИЕ ВЫСШЕГО ОБРАЗОВАНИЯ  
«КУБАНСКИЙ ГОСУДАРСТВЕННЫЙ МЕДИЦИНСКИЙ УНИВЕРСИТЕТ»  
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КАФЕДРА ОБЩЕСТВЕННОГО ЗДОРОВЬЯ, ЗДРАВООХРАНЕНИЯ И  
ИСТОРИИ МЕДИЦИНЫ

# **ОСНОВЫ ЭКОНОМИЧЕСКИХ ЗНАНИЙ**

## **лекционная рабочая тетрадь**

### **для иностранных студентов**

Краснодар  
2019

KUBAN STATE MEDICAL UNIVERSITY



PUBLIC HEALTH, HEALTHCARE AND HISTORY OF MEDICINE DEPARTMENT

# **FUNDAMENTALS OF ECONOMIC KNOWLEDGE**

## **Lecture workbook for international students**

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Основы экономических знаний: лекционная рабочая тетрадь для иностранных студентов / И.С. Лебедева – Краснодар: КубГМУ, 2019. – 136 с.

Цель настоящего издания – совершенствование методического обеспечения образовательного процесса дисциплины «Экономика» для иностранных студентов высших учебных медицинских заведений.

Согласно ФГОС ВО требования к результатам освоения программы специалитета предполагают изучение блока экономических дисциплин студентами лечебного, медико-профилактического, педиатрического стоматологического и фармацевтического факультетов.

Учебное пособие, составлено на английском языке и предназначено для помощи иностранным студентам в подготовке к лекционным и практическим занятиям по экономике. Анализ изложенного в пособии материала позволит студенту ознакомиться с основными положениями, проблемными вопросами предстоящей лекции, что особенно важно при подготовке к интерактивным формам работы, а также поможет в организации самостоятельной работы студента по отдельным темам. Содержащиеся в учебном пособии задания будут способствовать закреплению и последующему выявлению знаний и умений обучающихся.

Представленный на английском языке материал, обобщает современные научные и практические знания в области экономики, а отведенные пустые строки для записи ключевых слов, понятий, комментариев будут полезны иностранным студентам в процессе совместной работы с преподавателем.

Рекомендовано для издания ЦМС ФГБОУ ВО КубГМУ протокол № 5 от 17 января 2019 г.

## Предисловие

Изучение экономических дисциплин позволяет сформировать научное миропонимание, экономическую грамотность как часть общей культуры человека с медицинским образованием, позволяет будущим врачам разобраться в процессах общественного развития, механизмах финансирования и государственного регулирования отрасли, функционирования экономической системы, особенностях взаимодействия экономических субъектов на микро- и макроуровне.

Цель настоящего издания – помочь иностранным студентам КубГМУ при подготовке к лекционным и практическим занятиям по экономике, самостоятельному изучению материала дисциплины.

Будущий специалист за время обучения должен не только освоить учебную программу, но и приобрести навыки планирования и выполнения самостоятельной работы, что позволит на высоком научно-методическом уровне исследовать различные процессы и закономерности функционирования и реформирования современной системы здравоохранения в условиях рынка и конкуренции.

Освоение изложенного в учебном пособии материала направлено на формирование у студентов знаний основ рыночной экономики; способности и готовности анализировать экономические проблемы и общественные процессы; умения использовать методики расчета показателей экономической эффективности деятельности субъектов рыночной экономики, основных макроэкономических показателей, характеризующих степень развития экономики.

Данное учебное пособие адаптировано для понимания процесса общественного развития, механизмов государственного регулирования экономики, основных экономических законов и категорий иностранными студентами медицинских вузов.

При составлении учебного пособия использованы общепринятые экономические термины и понятия, аббревиатуры показателей в формулах, схемах, графиках, например D (demand – спрос), P (price – цена), C (cost – затраты), GNP (gross national product – валовой национальный продукт) и т.д., которые используются и в русскоязычных учебниках по экономике.

В лекционной рабочей тетради представлены опорные конспекты лекции в соответствии с тематикой учебной дисциплины, тестовые задания для самоподготовки и самоконтроля, глоссарий основных экономических терминов и понятий рекомендованная литература.

Успешность овладения учебным материалом достигается в процессе совместной деятельности преподавателя и студента, учета индивидуальных возможностей студентов, доступности учебного материала. Использование лекционной рабочей тетради позволяет обучающимся стать «соавторами» знания в процессе совместной работы с преподавателем.

## Preface

The study of economic disciplines allows to form scientific world understanding, economic literacy as a part of the general culture of the person with medical education, allows future doctors to understand the processes of social development, financing mechanisms and state regulation of the economics, functioning of the economic system, peculiarities of interaction of economic entities in micro- and macrolevel.

The purpose of this publication is to help international students of KubSMU prepare for lectures and practical studies on economics, independent learning of the discipline material.

A future specialist should not only study the curriculum, but also acquire skills of planning and performing independent work, that will allows to explore different processes and regularities functioning and reforming the modern health system in marketing and competition conditions at a high scientific-methodical level.

Learning of the described in the textbook material is directed to form of knowledge about market economy fundamentals in students; develop ability and willingness to analyze economic problems and social processes; ability to use methods of calculating economic efficiency indicators in market economy subjects, main macroeconomic indicators, that characterize the economic development degree.

This textbook is adapted to understand the process of social development, mechanisms of state regulation of the economy, basic economic laws and categories for foreign medical students.

While the textbook processing used generally accepted economic terms and concepts, abbreviations of indicators in formulas, diagrams, graphs, for example D (demand), P (price), C (cost), GNP (gross national product) etc., that are used in Russian economics textbooks.

In the lecture workbook supporting abstracts of the lectures are presented in accordance with subjects of the studied discipline, test tasks for self-learn and self-control, a glossary of the basic economic terms and concepts and the list of recommended literature.

Successful mastering of educational material is achieved due the process of joint activity of the teacher and student, with allowances made for individual opportunities of students, accessibility of educational material. The use of a lecture workbook allows students to become "co-authors" of the knowledge due to work process with a teacher.

## Введение

Компетентностный подход в организации учебного процесса в вузе предъявляет новые требования к лекции, как к ведущей форме его организации. Происходит переход от формирования ориентировочной основы для последующего усвоения студентами учебного материала к сотворчеству лектора и аудитории, активизации мыслительной деятельности студентов, реализации их творческих способностей в результате интерактивных форм работы. Это обуславливает необходимость поиска новых технологий, методов, приемов, позволяющих активизировать познавательную деятельность студентов.

Правильное расположение записей, рубрикация, выделение главных мыслей, ключевых слов делают конспект лекции более качественным. Кроме того, предварительно сделанные записи позволяют избежать искажения фактической информации. Ведь нередки случаи, когда на лекции студенты неправильно записывают термины, формулы, фамилии ученых. Все эти ошибки можно предупредить, избавив студента от необходимости фиксировать информацию подобного рода. В то же время в конспекте отведены пустые строки для записи ключевых слов, понятий, комментариев. Использование рабочей тетради непосредственно связано с реализацией принципа наглядности, являющегося общей дидактической нормой, обусловленной необходимостью подкрепления словесных объяснений фактами, их схематическим, графическим и модельным представлением.

Настоящее учебное пособие не заменяет существующие учебники по экономическим дисциплинам. Для изучения блока экономических дисциплин рекомендуются следующие источники:

### **А) Основная литература:**

- 1) Экономика: учебник / Ю.В. Федорова [и др.]: под общей ред. Ю.В. Федоровой. – Ростов н/Д: Феникс, 2014. – 349, [1] с.
- 2) Курс экономической теории: учеб. – 7-е изд., допол. и перераб. / под ред. М.Н. Чепурина, Е.А. Киселевой. – Киров: «АСА», 2013. – 880 с.

### **Б) Дополнительная литература:**

- 1) Основы экономики. Часть 1. Экономическая теория: учебно-методическое пособие для студентов / Редько А.Н., Лебедева И.С., Шильцова Т.А. Краснодар: ГБОУ ВПО КубГМУ Минздрава России, 2014. – 100 с.
- 2) Основы экономики. Часть 2. Микроэкономика: учебно-методическое пособие для студентов / Редько А.Н., Лебедева И.С., Шильцова Т.А. Краснодар: ГБОУ ВПО КубГМУ Минздрава России, 2014. – 80 с.
- 3) Основы экономики. Часть 3. Макроэкономика: учебно-методическое пособие для студентов / Редько А.Н., Лебедева И.С., Шильцова Т.А. Краснодар: ГБОУ ВПО КубГМУ Минздрава России, 2014.
- 4) Основы экономики: сборник тестов для самостоятельной подготовки к занятиям: учебно-методическое пособие для студентов / Редько А.Н., Лебедева И.С., Шильцова Т.А. Краснодар: «АСВ-Полиграфия», 2015. – 96 с.

5) Основы экономики: учебно-методическое пособие для самостоятельной работы студентов / А.Н. Редько, И.С. Лебедева, Т.А. Шильцова – Краснодар: 2018. – 60 с.

6) Основы экономических знаний для врача-стоматолога: учебно-методическое пособие для самостоятельной работы студентов стоматологического факультета / А.Н. Редько, И.С. Лебедева, Т.А. Шильцова – Краснодар: 2018. – 60 с.

7) Экономические факторы в сфере обращения лекарственных средств: учебно-методическое пособие для самостоятельной работы студентов фармацевтического факультета / А.Н. Редько, И.С. Лебедева, Т.А. Шильцова – Краснодар: 2018. – 58 с.

**В) Электронные ресурсы:**

– Библиографическая и реферативная база данных <http://www.scopus.com/>  
– Консультант студента. Электронная библиотека ВУЗа [www.studmedlib.ru](http://www.studmedlib.ru)  
– Официальный сайт Министерства финансов Российской Федерации <http://www.minfin.ru/>

– Федеральный образовательный портал: экономика, социология, менеджмент <http://ecsocman.edu.ru/>

– Федеральная служба государственной статистики <http://www.gks.ru/>

Способность определять и реализовывать приоритеты собственной деятельности и способы ее совершенствования; способность осуществлять критический анализ проблемных ситуаций на основе системного подхода, вырабатывать стратегию действий формируемые в процессе самостоятельной работы при изучении экономических дисциплин студентами медицинских вузов являются залогом готовности в будущем использовать знания управленческой и экономической деятельности медицинских организаций различных типов, анализировать показатели работы их структурных подразделений, проводить оценку эффективности современных медико-организационных и социально-экономических технологий при оказании медицинских услуг пациентам, что обуславливает актуальность представленного учебного пособия. Изложение материала в учебном пособии на английском языке удобно для практического применения иностранными студентами.

## Introduction

The competence approach of the educational process organization in the university presents new requirements to the lecture as to the leading form of its organization. There is a transition from formation of the indicative basis for the subsequent mastering by students of educational material to creation of the lecturer and the audience, activization of mental activity of students, realization of their creative abilities as a result interactive work forms. It is necessary to find new technologies, methods, techniques that allow to activate the cognitive students' activity.

Correct arrangement of records, headings, highlighting of the main thoughts, keywords make the lecture abstract more qualitative. In addition, pre-made recordings help to avoid distortion of fact information. It is not uncommon there are cases when at lecture students incorrectly write terms, formulas, names of scientists. All these errors can be prevented by relieve the student from the necessity to record this kind information. At the same time there are empty lines for the record of keywords, concepts, comments in the conspectus. Using of the workbook is directly related to the implementation of the principle of visibility, which is a common didactic norm, due to the need to reinforce verbal explanations with facts, their schematic, graphic and model representation.

This textbook does not replace existing textbooks in economic disciplines. To study the block of economic disciplines the following sources are recommended:

### **A) Basic literature:**

- 1) Экономика: учебник / Ю.В. Федорова [и др.]: под общей ред. Ю.В. Федоровой. – Ростов н/Д: Феникс, 2014. – 349, [1] с.
- 2) Курс экономической теории: учеб. – 7-е изд., допол. и перераб. / под ред. М.Н. Чепурина, Е.А. Киселевой. – Киров: «АСА», 2013. – 880 с.

### **B) Additional literature:**

- 1) Основы экономики. Часть 1. Экономическая теория: учебно-методическое пособие для студентов / Редько А.Н., Лебедева И.С., Шильцова Т.А. Краснодар: ГБОУ ВПО КубГМУ Минздрава России, 2014. – 100 с.
- 2) Основы экономики. Часть 2. Микроэкономика: учебно-методическое пособие для студентов / Редько А.Н., Лебедева И.С., Шильцова Т.А. Краснодар: ГБОУ ВПО КубГМУ Минздрава России, 2014. – 80 с.
- 3) Основы экономики. Часть 3. Макроэкономика: учебно-методическое пособие для студентов / Редько А.Н., Лебедева И.С., Шильцова Т.А. Краснодар: ГБОУ ВПО КубГМУ Минздрава России, 2014.
- 4) Основы экономики: сборник тестов для самостоятельной подготовки к занятиям: учебно-методическое пособие для студентов / Редько А.Н., Лебедева И.С., Шильцова Т.А. Краснодар: «АСВ-Полиграфия», 2015. – 96 с.
- 5) Основы экономики: учебно-методическое пособие для самостоятельной работы студентов / А.Н. Редько, И.С. Лебедева, Т.А. Шильцова – Краснодар: 2018. – 60 с.
- 6) Основы экономических знаний для врача-стоматолога: учебно-методическое пособие для самостоятельной работы студентов



стоматологического факультета / А.Н. Редько, И.С. Лебедева, Т.А. Шильцова – Краснодар: 2018. – 60 с.

7) Экономические факторы в сфере обращения лекарственных средств: учебно-методическое пособие для самостоятельной работы студентов фармацевтического факультета / А.Н. Редько, И.С. Лебедева, Т.А. Шильцова – Краснодар: 2018. – 58 с.

**C) Electronic resources:**

- Bibliographic and abstract Database <http://www.scopus.com/>
- Student consultant. Electronic library of the university [www.studmedlib.ru](http://www.studmedlib.ru)
- Official website of the Ministry of Finance of the Russian Federation <http://www.minfin.ru/>
- Federal Educational Portal: Economics, Sociology, management <http://ecsocman.edu.ru/>
- Federal State Statistics Service <http://www.gks.ru/>

The ability to define and realize priorities of own activity and ways of its improvement; ability to perform critical analysis of problem situations on the basis of a systemic approach, to develop a strategy of actions formed in the process of independent work during the study of economic disciplines by medical students are pledge in the future of readiness to use knowledge of management and economic activities of different types of medical organizations, analyze the performance of their structural subdivisions, assess the effectiveness of modern medical-organizational and socio-economic technologies in the medical services provision to patients, which determines the relevance of the presented training manual. The presentation of the material in the textbook in English is convenient for practical use by foreign students.

## СТРУКТУРА ДИСЦИПЛИНЫ ЭКОНОМИКА И ВИДЫ УЧЕБНОЙ ДЕЯТЕЛЬНОСТИ

№ п/п	Наименование раздела учебной дисциплины	Лекции	Практические занятия	Самостоятельная работа	всего
1.	Предмет экономической науки и ее разделы. Экономические блага и экономические системы.	3	4	2	9
2.	Потребность и спрос. Производство и предложение.	2	2	3	7
3.	Рыночный механизм.	2	2	3	7
4.	Конкуренция и монополия.	1	2	3	6
5.	Микроэкономика. Фирма.	2	8	3	13
6.	Макроэкономика. Макроэкономические явления и процессы.	1	2	3	6
7.	Государственное регулирование экономики.	1	6	2	9
8.	Международная экономика.	1	2	2	5
9.	Переходная экономика. Характеристика и структура российского хозяйства. Развитие экономической науки. Основы прикладной экономики	1	6	3	10
	<b>Итого (в часах):</b>	14	34	24	72

# 1. INTRODUCTION TO ECONOMIC THEORY

## **The term “economy”**

Literally translated from Greek  
ΟΪΚΟΣ – house and ΝΟΜΟΣ – rules  
means “the art of household  
management” or “management”,  
“rules of management”

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- The emergence of economic science generally attributed to Aristotle, ancient Greece, 5 century BC
- However, the known economic attitudes and early period
- Economic thought existed in the ancient East: Egypt, Mesopotamia, India, Crete

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## **Currently, the term "economy" is used in three values**

- The totality of relations of production a certain socio-economic formations.
- The national economy of a given country, group of countries, the world as a whole, or a part of the economy.
- Social science, including the scientific disciplines that study the various sides of the economy, conditions and elements of production

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## The evolution of economic thought

- 1. Mercantilism
- 2. Classical political economy
- 3. School fiziokratov
- 4. Economic ideas of Western European Utopian socialism
- 5. The bourgeois political economy
- 6. Melkoburžuaznaâ political economy
- 7. Marxist political economy
- 8. The German historical School of political economy
- 9. Neoclassical political economy
- 10. Keynesian economics
- 10-a. neo-Keynesian economics
- 11. Neo-liberalism
- 12. Institutionalism
- 13. modern neoclassic
- 13-a. Monetarism
- 13-b. theory of economic proposals

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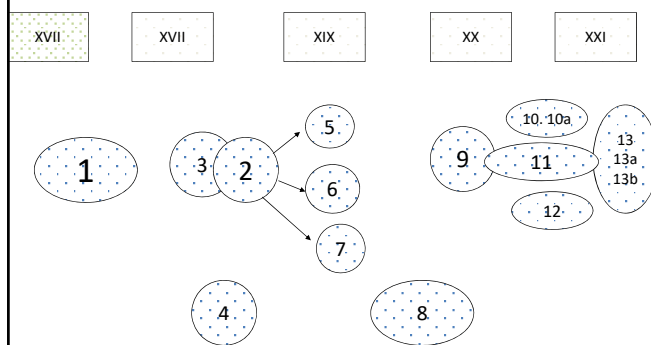
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## Formation of economic theory



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- From the point of view of "useful" for the human economy can be regarded as people created a system using and converting different resources available in the environment, to produce goods that meet the needs of man, society, the State.

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- **Economic benefits** is a collection of tangible objects and services that are the subject of production and Exchange, are used to meet human needs and the amount of which is limited compared to the needs they satisfy.

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They are divided into two large groups depending on the nature of consumption:

1. **production**
2. **personal**

- Productively consumed goods, called ***the means of production***. The purpose of this consumption is to create new economic benefits, some of which is returned to the production for production use, another part goes to consumption, in which human needs are met. These benefits are called ***commodities***.

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- Part of the benefits that exist freely in nature and are not the subject of economic activity relate to the benefits, but not to economic benefits. Such benefits include air.
- Along with this, the air under certain conditions, turns into an economic good, for example, on a submarine.

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## Economic science studies:

- What, how, for whom to produce
- How to use the generated created product
- How to negotiate between a production and consumption

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- Answering these questions means, **make a choice** in favor of any variant of development of social production, giving him precedence over the rest. This is called **the problem of choice**.
- People have **to decide** on manufactures any economic benefits of use of scarce factors, how much they make and how to distribute.

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## Economic system

a set of institutional mechanisms through which the limited resources of society are distributed to meet the needs of people.

The reason for the crucial role of the economic system in the life of society is that the economy is the basis of the country's existence.



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### Signs of division of economic systems into types:

- form of ownership of the means of production;
- the way of making economic decisions.

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### Types of economic systems

- Economic system of traditional type (traditional economy);
- Economic system of command-and-control type (command and administrative economics);
- Economic system of market type (market economy);
- Mixed economic System (mixed economy)



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### Mixed economic System

is based on the diversity of equal forms of ownership of the means of production, in which decisions by economic actors are taken independently, but under the influence of the state.

The mixed economic system is represented in **Japan, France, Germany, America.**

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### The subject of economic theory

- industrial relations
- organization of production, labour, product marketing
- market analysis and pricing
- resource selection and economic problems of human behavior
- patterns and factors of economic growth

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- **Subject economic theory** covers commodity-money, market, property relations between creators, owners, sellers, buyers, consumers, users.

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### Economic theory is the foundation of economic science:

- **INDUSTRY** - economy industry, transport, health, construction, etc.
- **FUNCTIONAL** - finance, credit, marketing, forecasting
- **INTERDISCIPLINARY** - economic geography, demography, statistics, management theory, management, etc.

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### The functions of the economic theory

- **Cognitive** - is to explore and explain the processes and phenomena of economic life
- **Practical (pragmatic)** - is the development of principles and practices of good housekeeping, a scientific substantiation of economic reform strategy of economic life, etc.
- **Prognosis-pragmatic** - involves the development and identification of scientific forecasts and prospects for social development

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### Methods of knowledge economic phenomena

- the rationalistic method
- positive method
- normative method
- the collection of information, its analysis and synthesis
- the method of ascent from the abstract to the concrete, from essence to phenomenon
- scientific method of abstraction
- analysis of economic phenomena
- synthesis of economic phenomena
- experiment and economic reforms

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- Economic perception is ideology from the position of **benefits** and **costs**. The essence of rational economic behaviour is in **excess of benefits over costs**.
- The economic behaviour of people repeating proposes methods, norms and rules of conduct, which lays down the relevant institutions and non-governmental organizations (market, property, State).

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## The basic principles of Economics

- 1) unity of theory and practice,
- 2) indivisibility of micro- and macroeconomics,
- 3) principle of real history.

Theoretical and practical problems can be addressed and resolved at the micro and macro levels.

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### Macroeconomics examines

- the national economic system
- national product
- the overall price level
- monetary treatment,
- inflation
- employment, unemployment

### Microeconomics examines

- the behavior of individual producers
- economic patterns of forming of entrepreneurial capital and competition
- prices of individual goods, pricing
- costs, expenses
- mechanism of functioning of firm
- motivation

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**Microeconomic analysis** is considered part of the economy, which explores:

1. the separate economic units, as an industry, firms and households;
  2. separate markets, specific prices and specific goods and services.
- The main target of microeconomic analysis is an enterprise that form in the economy sector enterprises.
  - In a market economy, it takes the form of a sector of the commercial organizations or business sector.

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## Economic entity

any independently in economy units which have common goals and achieve them together.

- All economic agents involved in two activities - **production and consumption**.

The objects of both kinds of detective are the **benefits**.

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- Economic laws are manifested only through the subject-labor and production activities of society members.

- «People make their own history, but they do not go as they like, in circumstances which they themselves have chosen and there are directly made to them and switched from the past»

Karl Marx

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## Basic economic laws

- the law of supply and demand
- law general macroeconomic equilibrium
- the law of private economic balance
- productive force of labour law
- competition law
- the law of value
- laws of money circulation
- laws of economic growth
- etc.

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Generally, economic laws are development laws of 4 components of the economic process:

- **production,**
- **distribution,**
- **exchange**
- **consumption.**

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### CIRCULAR ECONOMY



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### Production

- **the process of human impact on the substance of nature with a view to generating wealth and services necessary for the development of society**
- However, no matter how developed it was not the State, it is impossible to achieve absolute equality in the well-being of its citizens.

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**The main factors of production-such conditions, without which production impossible**

These include:

- **Work**
- **Earth**
- **Capital**
- **Entrepreneurial skills**

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## **Earth**

**the combination of all natural resources, involved in the production**

The owner of the land after the inclusion of the factors in the production generates revenue, called **RENT**.

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## **Work**

- heavily involved in the production of the working force is part of the population that is able and willing to participate in productive activities

Charges for the use of labour in productive activity is **salary**.

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## Capital

created by people of the means of production used to obtain economic product

Owner, avansiruemogo capital for production, generates revenue, called **interest**.

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## Entrepreneurial skills

**This proactive, independent activities carried out for profit by making necessary society benefits**

- Entrepreneurial income is **PROFIT**, its size depends on the outcome of the proceedings.

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## Production

- **Pre-INDUSTRIAL**  
dominated by agriculture and manual labour
- **INDUSTRIAL**  
major prevails mechanical machine production
- **Post-INDUSTRIAL**  
dominated by the service industry, science, education

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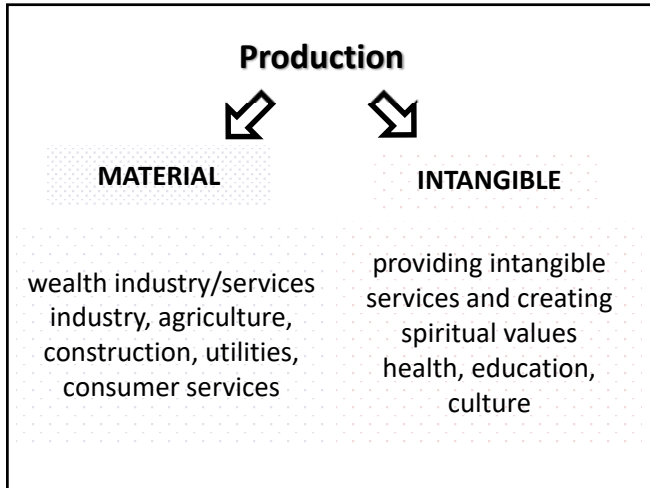
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**Resources** are the combination of the various elements of production, which can be used in the process of building material and spiritual goods and services

- Since production and consumption are unthinkable without the human force of nature, used for production and consumption account for human productive forces.

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Improving the ways in which economic resources (production factors), humanity has put at the heart of its business activities of two key elements:  
**specialization and trade**

**Specialization** in the production of sustainable orientation of the economy towards the production of a certain type in excess of domestic needs with the purpose of the subsequent exchange.

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**Trade** as commodity exchange values known from the stone age. At that time, as now, the essence of the trade is invitation to Exchange or sale of stock, as well as intangible assets to benefit from this Exchange.

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- Trade arose with the advent of the division of labor, as the exchange of surplus products, products
- Exchange first wore natural character; with the emergence of money arose the preconditions for the establishment of commodity-money relations.

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- Trade is one of the most powerful factors in the historical process. There is no such period in the history when trade is not affected, greater or lesser, on public life.
- Development of trade is the main precondition of transition from the traditional (subsistence) economy to a market system.

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## 2. NEED AND DEMAND AS ECONOMIC CATEGORIES



- The dignity of the market mechanism is that it forces each salesperson to think about for buyers to gain benefits for himself.

But the buyer also had to reckon with the interests of the seller-he/she can receive the goods, only paying for it the current market price.

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What determines prices in the free market?

- To reply, it is necessary to analyze the two basic concepts of **demand** and **supply**.

**Demand** is the effective need, i.e. the need, the desire of buyers to purchase the product on the market in accordance with their needs and cash.

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- **NEED** – variety of functional or psychological need or lack of any object, entity, individual, social group, society.
- They are internal motives activity needs manifest themselves differently depending on the situation.

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- **Requirements generate incentives to produce.**
- **Production meets existing and creating new needs.**

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### **A. Marshall:**

- "Each new step forward, you need to consider the result of the development of new activities gives rise to new requirements, rather than the fact that new demands are causing new activities."

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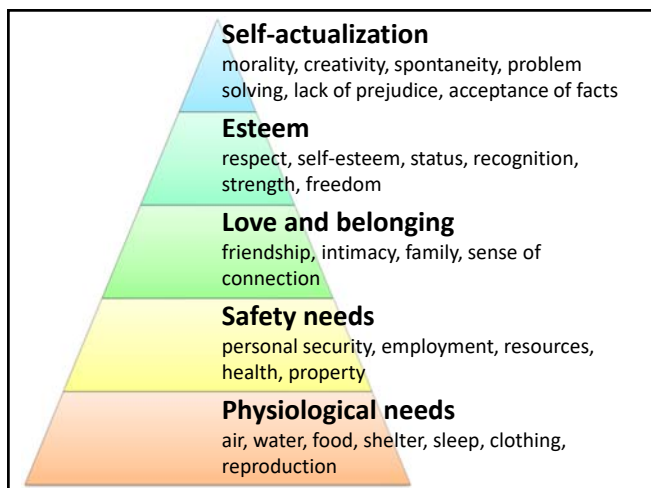
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**Needs evolve vertically and horizontally:**

- with the needs of the lower-level people appear higher level needs and these needs have more and more people.

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**LAW  
INCREASING NEEDS**

- Continuous development needs is the driving force behind the economic and spiritual progress of humanity, which in turn stimulates the emergence of new needs.



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**STAGES OF DEVELOPMENT NEEDS**

**1st stage:**

- material and material needs

**2nd stage:**

- the move toward a consumption economy, formed social needs
- education, health, sports, leisure, entertainment, consumer services

**3rd stage:**

- humanitarian needs
- the spiritual development of the personality, creativity

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## Quantity demanded

number of products (services) that buyers want and can buy at a specific price at a specific time in a specific location.

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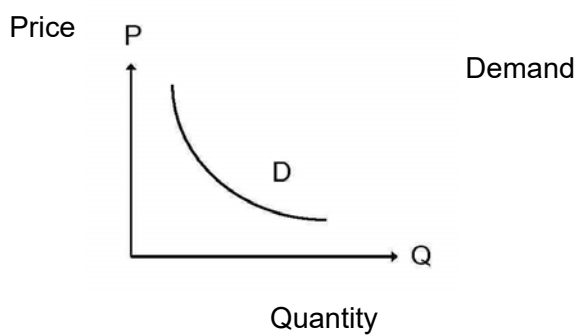
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## Demand schedule



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Demand

### Individual

- demand by competitive users

### Market

- mass consumer demand, slagaemyj of demand from many actors acting as buyers in a certain period of time

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## Individual Demand

It is influenced by:

- the price of the product
- consumer income
- number of persons in the family
- social level
- value system
- the level of debt



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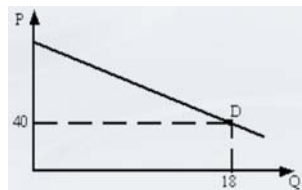
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## Market demand

It is influenced by:

- the price of the product
- income buyers
- the number of buyers
- customers' preferences



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- The dynamics of demand shall be determined by the law of demand - the higher the price of the goods, all other things being equal, the smaller the volume of demand and vice versa
- That is, a negative relationship between price and demand

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**The law of demand applies for two reasons**

- **1. when the consumer wants to buy lower price more goods (the income effect);**
- **2. goods at lower prices are cheaper relative to other goods and to acquire it becomes relatively more profitable (substitution effect).**

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**Raises another effect-the effect of decreasing marginal utility**

- way to describe a situation when the last commodity unit brings less satisfying than the penultimate.
- The utility-possibility of using the goods themselves for the greater good.

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- Reduction in the number of purchases of the product occurs not only because of rising prices, but also due to the saturation of needs.
- The increment of the purchases of the same product typically carried out by consumers due to lower its prices.
- However, the benefits from such increment is a limit for the buyer becomes increasingly evident reduction of useful consumer impact of additional costs for these purchases, and shrinking demand occurs, despite falling prices.

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**The law of demand is not valid in the following cases:**

- 1) when high demand arising from the expected increase in prices;
- 2) for some rare and costly commodities (gold, jewels, antiques), are a means of investing money;
- 3) when switching to more expensive and demand quality products.

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**Non-price factors affecting demand:**

- 1) changes in monetary incomes (earnings growth leads to increased demand for various types of goods under all possible pricing);
- 2) changes in the structure of the population (population ageing leads to increased demand for medicines);
- 3) changes in the prices of other goods are substitutes or "complementary" (toothbrush/toothpaste)
- 4) economic policy the Government cash payments to the poor;
- 5) changing consumer preferences under the influence of fashion, advertising, etc.

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**Supply** is the result of a production process

**The desire and ability of sellers to sell a particular product or service in a particular time and place.**

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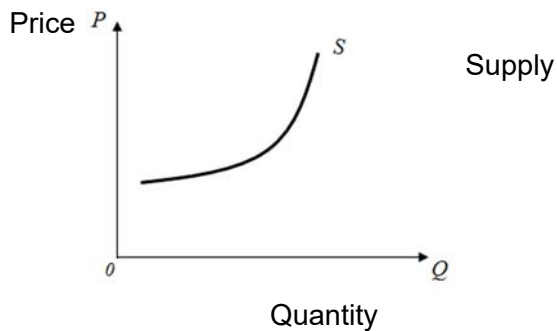
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**The schedule goes up, increasing the price-increasing supply**



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**Value of supply** - the number of goods or services that sellers are willing and able to sell at a specific price at a specific time in a specific location.

**The law of supply** - the higher the price of the goods, ceteris paribus, the greater the volume of supply and vice versa

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**The reaction of the supply to the price is due to the fact that:**

- firms engaged in the industry, with an increase in price, use reserve or quickly introduced capacity, which will lead to an increase in supply (the growth of prices at the same level of intra-firm costs leads to an increase in profitability)
- in the case of a long and sustained increase in prices, other producers will rush to this industry, which will further increase production and supply

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### Non-price factors that influence the supply:

- changes in production costs (technical innovations, changes sources, state tax policy, etc.; increased costs of production leads to a shift of the supply curve to the left, reducing costs to the shift of the supply curve to the right);
- market entry of new manufacturers;
- changes in the prices of other goods (care firms from the industry);
- natural disasters, political action, war and other phenomena that destroy the economy.

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- As a result of the interaction of supply and demand set the market price. It is fixed at the point of intersection of the demand and supply schedules.
- This point is called a point of equilibrium and price-equilibrium.
- Only this single point price satisfied at the same time and the buyer and the seller.

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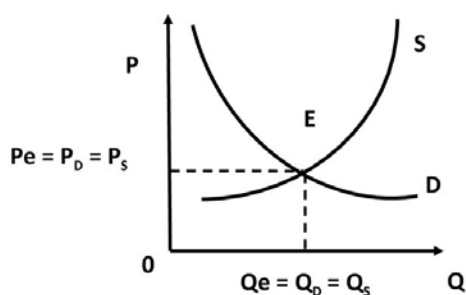
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### A POINT OF EQUILIBRIUM



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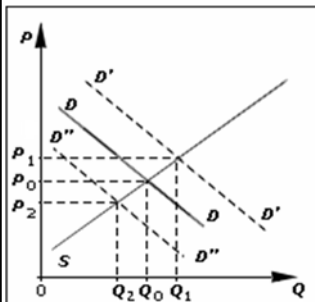
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### Change in demand (supply remains the same)

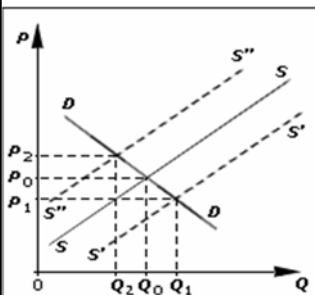


- **Demand is increasing.**  
Demand curve shifts **to the right**, this leads to growth as Equilibrium Price ( $P_1 > P_0$ ), and Equilibrium Quantity ( $Q_1 > Q_0$ ).

- **Demand is decreasing.**  
Demand curve shifts **to the left**, leading to lower and Equilibrium Prices ( $P_2 < P_0$ ), and Equilibrium Quantity ( $Q_2 < Q_0$ ).

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### Change of supply (demand remains unchanged)



- **Supply increases.**  
The supply curve shifts **to the right**. This results in a reduction in the Equilibrium Price ( $P_1 < P_0$ ), but an increase in the Equilibrium Quantity ( $Q_1 > Q_0$ ).

- **Supply is decreasing.**  
The supply curve shifts **to the left**. This leads to an increase in the Equilibrium Price ( $P_2 > P_0$ ), but to reduce the Equilibrium Quantity ( $Q_2 < Q_0$ ).

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### Elasticity

- Sensitivity to changes in market prices, income or any other market indicators is reflected in the rate of elasticity, which can be characterized by a special factor.
- **Coefficient of elasticity** shows the degree of quantitative changes in one factor (demand or supply) when the other factors (prices, income or costs) at 1%.

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### Coefficient of elasticity

$$E_P = \frac{\Delta Q\%}{\Delta P\%}$$

$E_P$  – coefficients of elasticity of demand and supply costs

$\% \Delta P$  – price change;

$\% \Delta Q$  – changing quantity of supply or quantity of demand

- shows the degree of quantitative changes in demand (the supply) when changing prices for 1%.

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### Common factors of elasticity of DEMAND

- the availability and accessibility of substitutes;
- the time factor;
- a fraction of the cost of goods at the consumer budget;
- the degree of saturation of the market under consideration by product;
- a variety of possibilities for using this product;
- the importance of the goods to the consumer.

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### Common factors of elasticity of SUPPLY

- period of time;
- the specificity of production (the minimum amount of increased production costs);
- storage products;
- the maximum amount of production at full loading capacity;
- types of offered for sale of goods and services;
- market conditions.

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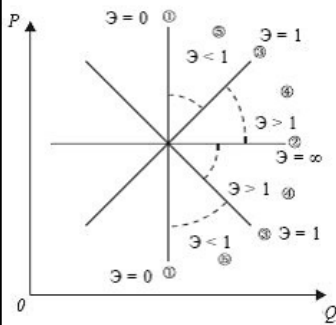
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### Classification of degrees of elasticity when you change item prices



- $E=0$  Absolutely inelastic demand or supply
- $E=\infty$  Absolutely elastic demand or supply
- $E=1$  Single (unitary) elasticity
- $E>1$  Elastic demand or supply
- $E<1$  Inelastic demand and supply

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### Cross elasticity

If the goods are **interchangeable** (original drug/generic), the positive value of the coefficient shows that with the goods B price increasing the volume of demand for goods A will increase

If the goods are **complementary** (syringe/ampoule with the drug), the negative value of the coefficient shows that with the goods B price increasing the volume of demand for goods A reduced

$$E_{AB}^d = \frac{\Delta Q_A}{\Delta P_B} \times \frac{P_B}{Q_A}$$

$$E_{ab} = \frac{\Delta Q_a}{Q_a} \div \frac{\Delta P_b}{P_b}$$

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### Practical value of elasticity

- If the demand for the goods is elastic, the seller is more profitable to reduce prices, because in this case it increases the total revenue from the sale.
- If it acts differently, it will not be able to rationally take advantage of the prevailing market conditions and will not receive the possible income.
- The more time is available to the manufacturer, to respond to the change of the other, the more delivered change in the scope of supply

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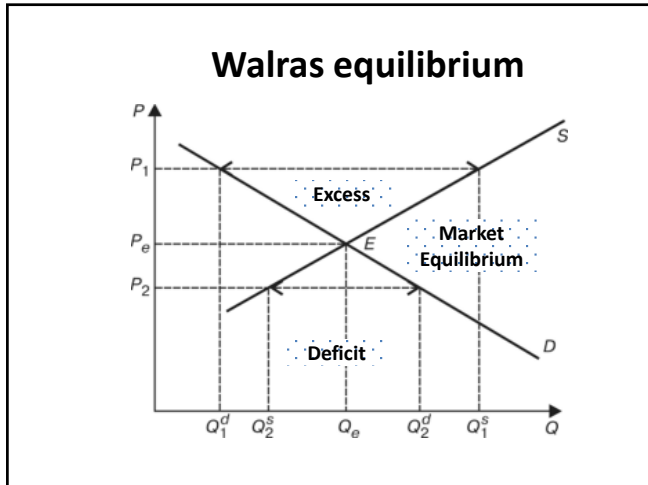
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### 3. FUNDAMENTALS OF MARKET ECONOMY



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**MARKET** as an **economic category** is an aggregate of specific economic relations and links between buyers and sellers, as well as trade intermediaries regarding the movement of goods and money, reflecting the economic interests of the subjects of the market relations and the exchange of the products of labour.

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#### ***The essence of market relations***

- The essence of market relations boils down to cost recovery vendors (manufacturers and traders) and the acquisition of profit, as well as meet the demand of buyers on the basis of free, mutual agreement, retribution, equivalence and competition.
- This is precisely what is generic, essential features of the market.

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***The material basis of market relations is the movement of goods and money***

***Product*** is the thing or service created with public difficulty value and used to exchange (sales on the market) for another product

- *Things become commodities do not in themselves, but only when they are the object of exchange between people.*

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### ***Product properties***

1. *The goods must be produced using human labour*
2. *The goods shall be made not for the producer and for other people*
3. *Goods must be transmitted on the basis of equivalent compensation*

- *This product is no longer value for the producer and for other persons, that is, it becomes public property.*

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- *The essence of the market was reflected in its main economic functions, expressing the basic purpose of this category and reflecting its essence*

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### **Market functions**

- **Integrating market function** is to connect production (producers), consumption (consumers), as well as traders, the inclusion of them in the overall process of active labour exchange of products and services.
- Without market production cannot serve to consumption, and the consumers will not be able to meet their needs.

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- **Regulatory function of the market** involves the impact on all spheres of market economy, ensured the harmonization of production and consumption in the assortment structure, balance supply and demand by price, size and structure, proportionality of production and exchange among regions, areas of the national economy.
- The modern market is regulated not only by the "invisible hand", but also the State.

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- **Stimulating the function of the market** is encouraging producers to create new products, necessary goods at the lowest cost and obtaining sufficient profits, promoting scientific progress and on its basis-intensification of production and performance of the entire economy.

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- **Valuable (or equivalent), the function of the market** is setting value equivalents for exchanges of products.

*The market matches individual labor costs on public goods production benchmark, i.e. to tailor costs and results, identifies the value of the goods by identifying not only the quantity of labour but spent his benefit.*

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- **Controlling function market serves** as the main controller of the end results of production. The market identifies the extent to which the needs of buyers meets not only the quantity but also the quality of goods and services.

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- **The intermediary function** of the market ensures economically isolated meeting of producers and consumers to Exchange performance.

*Without a market, it is impossible to determine how much a mutually important economic and technological communication between participants of social production.*

- The consumer has the opportunity to select the best seller, and the seller provider is the most suitable buyer.

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### ***Informational function***

- *gives market participants through the ever-changing prices, interest rates on credit objective information about supply and demand of goods and services on the market.*
- *The modern market turns into a giant computer that collects and handles vast amounts of information and issuing summary data on the status and conditions of realization of goods and services.*

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***Function efficiency involves reducing the consumption costs (costs of buyers for the purchase of goods) and proportionality demand wage.***

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***The function of market entity provide the relationship of these interests on the principle articulated***

***A. Smith: «give me what I need, and you will get what you need ...»***

- *Economic interest sellers is retrieving a large income and buyer-to meet the needs at the lowest cost.*
- *The connection of these interests involves exchange of needed each other *poleznostâmi* and equivalence of market transaction.*

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***The essence of the market and its functions logically and its role in the process of social reproduction.***

***Market role***

1. To issue a signal to production by means of inverse "primary" links: what, to what extent and what structure should be produced.
2. To balance the demand and itself, to ensure the balance of work.
3. Differentiate the incomes of producers in accordance with the effectiveness of gastroenterological sounded and aimed at covering the market demand.
4. The "sanitary" role of the market is reduced to the leaching of uncompetitive enterprises and the phasing out of obsolete productions.

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***The history of development of the market allows the following types of market:***

- ***undeveloped,***
- ***free,***
- ***regulated,***
- ***deformed.***

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***Undeveloped market*** is characterized by the fact that market relations are incidental, often trade (barter).

*But here the market plays a role, contributes to the differentiation of society members, enhance motivation towards the development of the production of certain goods.*

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### Free (classic) market

- operates on the basis of a self-regulatory mechanism turns to man, through the prices based on demand creates guidelines for investment in production.
- Prices are spontaneously during the competition.
- There is no monopoly (one manufacturer), monopsony (one buyer) and public Regulation

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- **Regulated market** is a result of civilization and the humanization of society, in which the State seeks to soften the blows of the market according to the interests of individual members of society, but not enough to nullify the motivation for creative, proactive and risk management operations.
- The market must be regulated to remove or somehow limit the negative consequences.

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**Deformed market** in command and administrative economics system has the following features:

- 1) lack of market actors, organizing its business on the basis of different forms of ownership;
- 2) excessive centralization in the distribution of commodity resources and their movement, lack of autonomy in business;
- 3) monopoly manufacturer and trader;
- 4) imbalance in supply and demand, which is growing every year;
- 5) excessive price growth, rampant inflation, a violation of currency circulation, budget deficits, huge issuance of money, etc.;
- 6) flourishing underground economy, "grey" and "black" markets;
- 7) attempt to strengthen regional markets;
- 8) flourishing barter deals;
- 9) strain of economic interests of market relations, lack of motivation to work effectively, the risk of economic activity;
- 10) lack of consumer choice of goods.

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### ***Conditions of civilized market***

- *realization of diverse forms of ownership*
- *the democratization of production while maintaining state regulators*
- *the creation of a market infrastructure*

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- *The sum of all markets, dissected into separate elements based on a variety of criteria, forms a **system of markets**.*
- **Market structure** is an internal structure, location, order individual items market, their share in the total amount of the market.

#### **Signs of any structure are:**

- *the close link between its elements;*
- *a certain sustainability of these links;*
- *integrity of data elements.*

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### ***Market's classification based on***

- *the economic destination objects of market relations*
- *spatial basis*
- *product groups*
- *degree of competition restriction*
- *types of subjects of market relations*
- *respect for the laws in the economy*

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### ***Market structure for objects***

- **Consumer market** includes markets for consumer goods-food and non-food goods and services, public utilities, transport

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### ***The market for factors of production***

- labour markets
- markets tools
- real estate markets
- mineral markets
- markets of energy resources
- markets of raw materials

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- **External labour market** a market oriented geographical or occupational labour mobility. In the framework of external labour market organization staffed by choosing already prepared outside the desired occupations and qualifications.
- **Internal labour market** labour market, based on the movement of staff within the enterprise:
  - horizontally, when an employee moves to a new job, similar to continue functions and nature of work;
  - vertically, when to a higher rank or position.
- **Secondary labour market** - the labour market, which is characterized by temporary or precarious employment, low-wage, low-skilled workers.

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### ***Elements of the mechanism of the labour market***

- *the demand for labour;*
- *labour supply;*
- *cost and price of labour;*
- *competition;*
- *reserve labour force.*

***Labour market infrastructure*** - legal base, providing the most efficient functioning of the labour market; includes:

- *public institutions;*
- *non-State actors to promote employment;*
- *personnel services personnel management of companies and enterprises;*
- *public organizations and foundations.*

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### ***Money market***

- ***Money themselves become a full product price for their use in accordance with the laws of the market is determined by demand and supply.***
- ***It takes the form of a per cent, i.e. income provided by the loaned money.***
- ***The money supply*** is formed primarily through savings, as well as savings of enterprises and organizations.
- ***The demand for money*** is raised from economic agents, as well as the State, when their own funds is not enough to finance those or other economic projects and programmes.

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### ***Information market***

- ***its purpose in providing economic agents the most diverse information short-term and medium-term nature.***

***Traded here are books, newspapers, paintings, various types of advertising, computer programs.***

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## Market innovation

*i.e., innovations, inventions, innovations*

- Treats innovation as a commodity that it is advisable to sell at market prices, which leads to accelerate scientific and technological progress.
- Part of the market innovation is **market licenses**. Traded here provide patent and off-patent licenses for the transfer of inventions, technological expertise, trade secrets and commercial knowledge, use of trademarks, etc. it's trading technology.

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## Securities market

- **The primary market** is the acquisition of securities of their first owners. This is the first stage of the process of the realization of the valuable paper.
- **The secondary market** is the treatment of previously issued securities; a collection of all the acts of sale or other forms of transition of securities from one owner to another during the life of the securities.
- **Organized securities market** is their treatment based on *tverdoustojčivyh* rules between licensed professional intermediaries-market participants on behalf of other market participants.
- **Unlimited market** is securities without complying with common rules for all market participants.

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- **Stock market** it is securities trading on the stock exchanges.
- **OTC (over-the-counter ) market** is trading securities without going through the stock exchange.
- The stock market is always organized securities market because trading is strictly according to the rules of the Exchange and only between stock exchange brokers, who are carefully selected among all other market participants.
- OTC market may be organized and unorganized. The organized OTC market based on the computer systems of communication, trading and securities servicing.

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### ***Markets by subjects***

- *Markets of buyers;*
- *Markets of sellers;*
- *Markets of public institutions;*
- *Markets of intermediaries.*

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***Markets of buyers*** offer must exceed demand, then the buyer compares between different varieties of products, prices, and has a preference to one or another product. There are competing producers and traders, which is typical of modern developed national and international markets.

***Markets of sellers*** characterize a significant excess of demand over supply. Here the main role is played by the quantity of goods and services, quality is given minimal attention.

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***Public institutions*** includes the totality of acts of sale of government organizations, the Federal Government, local authorities, procuring or renting goods necessary for them to perform their core functions for administration authorities.

***Markets of intermediaries*** express the totality of economic relations with individuals and organizations that purchase products for resale or putting them out to other customers profitably.

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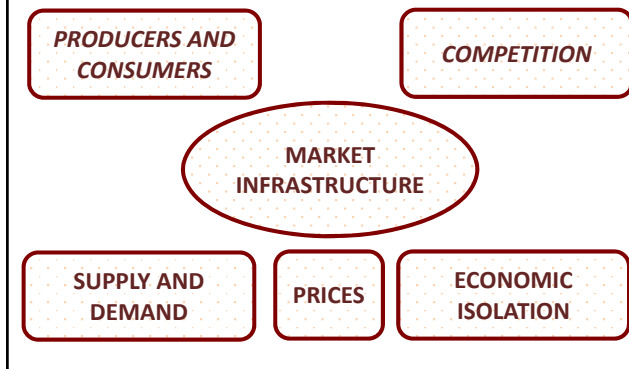
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## Links in market economy



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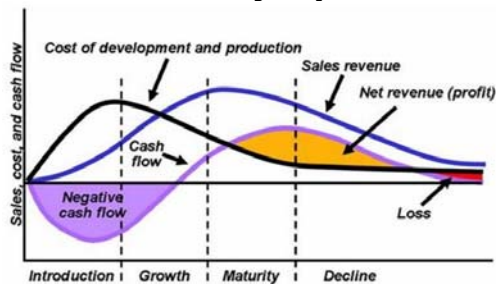
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## Product life cycles



- Depending on the stage of the life cycle of a product can be applied different pricing strategies

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- **At the introduction stage**, development of new production occurs minor sales-high product prices
- **At the stage of growth** when increases in production and demand growth remain high prices
- **At the stage of maturity** of the production volume reaches its maximum, the saturation of demand slowdown, increased competition and lower prices
- **At the stage of decline**, the demand for products is reduced to a minimum, issue volume decreases, the level of competition fades, most products withdrawn from production and begins its new replacement

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- **Market Infrastructure** is a collection of legal forms, stipulating the movement of goods and services, acts of sale, or a set of institutions, systems, services, businesses, serving the market and perform certain functions to ensure the normal operation of the device.
- from Latin. "infra"-below; "struktura"-structure, location.

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**The main elements of the current market infrastructure:**

- 1) Exchange (commodity, commodity, stock, currency);
- 2) auctions, fairs and other forms of institutional nonexchange mediation;
- 3) credit system and commercial banks;
- 4) emission system and issuing banks;
- 5) system for regulating employment and the Centre of promotion employment;
- 6) information technologies and means of communication;
- 7) tax system and tax inspection;
- 8) commercial insurance economic risk and insurance companies;
- 9) special advertising agencies, information centers and central agency media;
- 10) associations of the business communities;
- 11) customs system;
- 12) unions of employees;
- 13) commercial and exhibition centers;
- 14) the system of economic education;
- 15) audit firms;
- 16) advisory (consulting) companies;
- 17) public and State funds for stimulate business activity;
- 18) special zone of free enterprise.

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- The infrastructure is designed to provide a civilized nature of the activity of market actors, elements of the infrastructure are not imposed from outside, and inherit by market relations.

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## 4. ORIGIN, NATURE AND FUNCTION OF MONEY

- **Money** is specific product (thing), which is the generic equivalent of other goods or services
- Through money express the cost of other goods, because the money is easily exchanged for any of them. Such valuation makes heterogeneous goods easily comparable with the exchange.

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### **THE ORIGIN OF THE MONEY**

- 7-8 thousand BC,
- surplus products which could be exchanged for food and other necessary things.

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### **PRIMITIVE FORMS OF MONEY**

- farmers - grain
- shepherds - cattle
- hunters - furs
- coastal peoples - shells
- Historians have found evidence that the peoples of the world the role of money played a variety of goods: salt, cotton cloth, copper bracelets, gold dust, horse, sinks and even dried fish.

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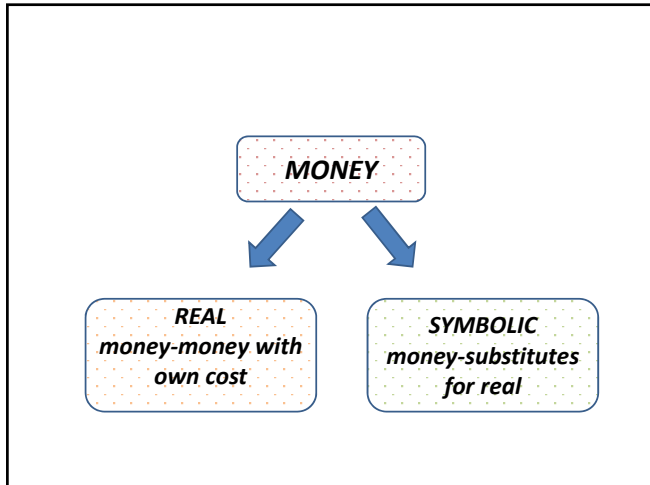
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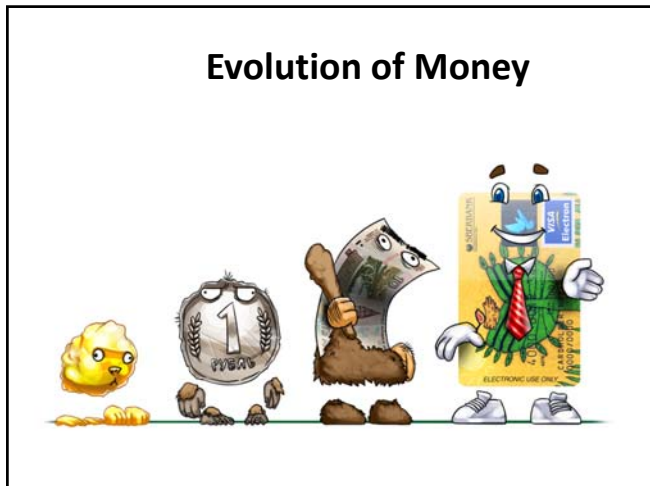
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- Transition from commodity money to coins became **the first in history a great coup** in relations between people and money.

With the advent of coins 3 thousand. Years ago in Lydia (modern Turkey) was born Enlightenment system of open and free trade, which contributed to the development of the civilization of the Mediterranean.

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## PRECIOUS METALS PROPERTIES

- *homogeneity*
- *separability*
- *portability*
- *safety during unrestricted long*



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## FUN MONEY

### SYMBOLIC MONEY

substitutes for real money because their nominal value above real, i.e. spent in their production of social work

### METAL SIGNS COST

small coins of copper alloy and aluminium

### PAPER SIGNS COST

paper and credit money

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- Many coins are considered unique or rare, as a limited edition commemorative belong to draw. They are designed to be collectible and not for treatment. In addition, a large number of coins belong to the unusual due to their size, shape, alloy or design.

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Among non-metallic coins, the largest group is made up of clay and porcelain that were minted in 1920-1922, Meissen because of a shortage of metal.



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- Although the coins are **square** or **rombus** forms are rare, they were produced in ancient times such samples of coins dating back to the I century BC, found at the site of the former Greco-Bactrian Kingdom.
- In Spain between VI and XII centuries silver dirhams a square shaped minted Arabs. This money is symbolized the gap with previous monetary system. Today, the square is a usual phenomenon in some Asian countries (Sri Lanka, Philippines).



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The experts of the International Banknote Society (IBNS) awarded the title of "Banknote of the year-2017" with a banknote of CHF 10. On the front side of the banknote are hands with a conductor stick, on the reverse - the railroad. In 2016, the victory also got the Swiss banknote of the 50-franc bill. The competition involved banknotes that were first issued in circulation. In 2017, there were 170 of them, among the finalists-40 francs (Djibouti), 10 pounds (Scotland), 1000 pesos (Argentina), 2000 rubles (Russia), 20 dollars (Solomon Islands), etc.



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The use of paper banknotes became the **second great coup** in the development of money

The issue of paper money was only possible when two mandatory conditions were achieved:

Paper availability  
and printing machine

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Paper was invented in China in 105 a.d.- industrial manufacture of paper from the bark of the mulberry tree.

The printing press was invented around 600 a.d.  
- textile industry with a drawing of the inscriptions on the fabric when using wooden blocks with carvings.

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- The old Chinese banknote considered 1000 Qian issued during the Ming dynasty in 1368-1398 BC.
- Marco Polo mentioned about paper money in his book at the end XIII century
- But in Europe they have been widely spread 5 centuries later.

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- The rise of the Renminbi against the dollar allows the first fight for hegemony in international trade, countries such as Brazil, and Japan. Australia, today agreed to trade in Yuan.



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- The technological revolution that is being perpetrated today is the beginning of the **third great coup** in the history of money.

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## ELECTRONIC MONEY

The money appeared from the mid 90-ies. The 20th century as a result of scientific and technical process. They have no natural physical media value, and the entire process of electronic payment occurs exclusively in digital form.

**ON THE BASIS OF MAPS  
BASED ON NETWORKS**



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- Bitcoin has become the first digital currency to be widely used through the use of a blockchain tracker, which monitors and verifies every step of virtual money use.



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- In March 2017, a Russian programmer participated in the development of a new virtual currency – Cloudcoin. Compared with bitcoin, it has a number of weighty advantages: The total value of the money supply cloudcoin unchanged, and cloudcoin authentication takes 1-2 seconds, (for Bitcoins-10-40 minutes).



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## History of the ruble

- In Kievan Rus along with Coons and Hryvnia used money of those countries with Rus traded, so sometimes the goods were paid denariâmi or drahmami. While the Mongol-Tatar yoke Mongolian money circulated in Russia. Ruble appeared only in the 13th century.

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- The population of Russia start to use the ruble only in the 13th century. These were silver ingots weighing 200 grams. The name "**ruble**" is derived from the word "**Hack**" [**rubit**], as the severed piece of silver.



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- The name ruble coins, pennies [kopeyka], derived from the word "**spear**" [kopyo] is that the obverse of the penny initially depicted Saint George that kills the snake with a spear.



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- In a massive turnover of ruble as currency and coin began to enter under Ivan Grozny, in the 16th century.
- First appeared in the 17th century coins, which were minted by the name "ruble", and in 1769 was first issued ruble banknotes .
- Along with the silver ruble also became to produce gold chervonets, which were used until the year 1757.

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- The ruble was strong and stable currency until the October revolution in 1917 year.
- Determination of the course of the Soviet ruble in relation to monetary units of other countries was problematic, because free use of foreign currency in the USSR was restricted.
- In the 1961 year Nikita Khrushchev found exchange rate of the Soviet ruble to the US dollar at a ratio of 0.9:1.
- But in the 1990s the ruble began to quickly lose its value.

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### Today in Russia circulated

- coins in 1, 2, 5, 10, 25 roubles
- banknotes in (5), 10, 50, 100, 200, 500, 1000, 2000 and 5000 rubles.
- also pennies coins in (1, 5, 10) 50 kopeykas.



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### Functions of money

- medium of circulation
- measure of value
- means of payment
- means of saving (accumulation)

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**Monetary system** is a form of monetary circulation, some elements of which are in a certain unity

#### Elements of the monetary system

- the name of the monetary unit in scale prices
- types of banknotes, the order of their release and the nature
- organization of cashless payments
- rate of the national currency, the order of its conversion

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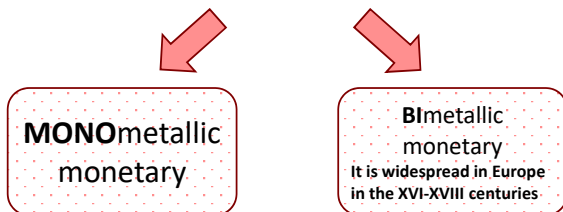
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#### Types of metallic monetary systems



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#### Types of MONOmetallic monetary

- **COPPER** Rome V-III centuries BC
- **SILVER** Russia 1843-1852; Holland, India in the 19th century.
- **GOLD** England from the end of the 18th century, the rest of the country since the end of the 19th century.

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- The gold standard system has played a positive role in the development of world trade. It ensured the stability of exchange rates and the balance of international payments.
- Until the 1940s State reserves were created in gold, but as a result of the conference in Bretton Woods, the United States provided support for the US dollar as a world currency due to the commitment to convert US dollars and gold.

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- The change in the currency structure of international reserves in the world shows that at the turn of XX-XXI centuries the United States and Great Britain strengthened their currencies. Only by the creation of the euro the leading continental countries of Europe were able to resist the tendencies of such excessive reinforcement, and Russia is actively opposed.

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**The MONEY SUPPLY** is the sum of all of the funds in cash and cashless forms that the treatment of goods and services in the economy

The money supply depends on many factors, but primarily on the supply and demand for money, which define the scope and the conditions of the monetary market.

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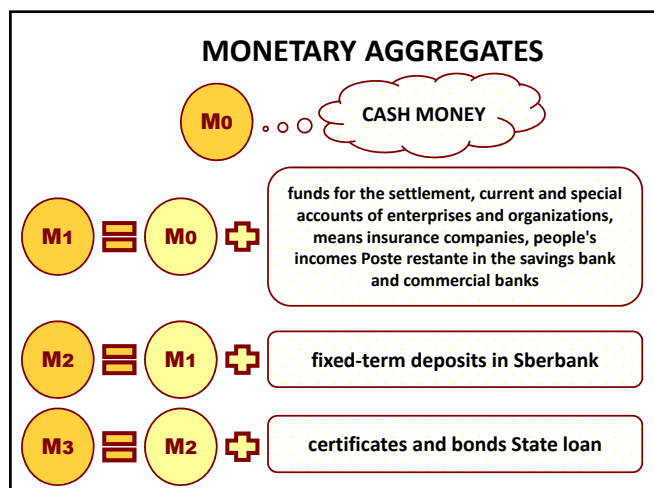
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Money circulation law establishes the amount of money needed to carry out the functions of the means of treatment and means of payment.

American economist **Irving Fisher** opened formula, which describes the factors that Determine the amount of money required for normal Functioning of the market economy:

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### FISCHER'S LAW

**$M * V = P * Q$**

- M (Money) - Monetary mass (amount of money, in the economy)
- V (Velocity) - speed of money circulation
- P (Price) -The average price of each transaction
- Q (Quantity) - Number of transactions (transactions)

$k = 1/V$

- k-monetization ratio

$M = k * R * Q$

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**MONEY SUPPLY** aggregate of means of payment in the economy at the moment (**MV**)

**MONEY DEMAND** consists of transactions demand for money and the demand for money as a means of preserving wealth (**PQ**)

Demand for money depends on the level of prices, the volume of production, speed of circulation of money

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**INFLATION** is a multifactorial phenomenon that manifests itself in increasing the General level of prices and currency depreciation in relation to real assets

**TYPES OF INFLATION**

- clear and suppressed
- national, regional and global
- imported and exported
- moderate (**up to 10%**), galloping (**11-200%**) and hyperinflation (**over 200%**)
- controlled and uncontrolled
- the real and imaginary
- predictable and unpredictable
- created by demand or supply

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**ELEMENTS OF ANTI-INFLATIONARY POLICY**

- a temporary freeze on prices and wages
- social contract
- limiting the amount of money in circulation
- activities for fiscal policy improvement rate of the national currency

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5. THE PLACE AND ROLE OF COMPETITION IN A MARKET SYSTEM

**Conditions for the normal functioning of the market**

1. freedom of economic activity of business entities;  
2. their responsibility for the outcome of its economic activity, until the liquidation of the enterprise;  
3. free pricing;  
**4. competition of commodity producers, exclusive monopoly;**  
5. limited direct State participation in economic activities;  
6. active orientation of the national economy in the world economic system.

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- **Competition** (from lat. concurrere — compete) is the rivalry between the participants of the market economy in the process of implementing their individual economic interests for the best conditions for the production, purchase and sale of goods.

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Competition is the process of controlling entity of its competitive advantages to achieve the other goals against competitors to meet objective or subjective requirements under legislation or under natural conditions.

**Competition in health care** is a condition and process of interrelations of subjects of geography and consumption of medical services within the framework of specific civilized form of rivalry between medical workers (physicians) on achievement of the highest degree Meet the targeted needs of patients.

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### **Competition functions**

- *identifies and sets the market value of the goods;*
- *reduces the specific work for socially necessary;*
- *facilitates alignment of individual costs and profits, depending on the productivity and efficiency of production control.*

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### **Factors that do not allow to form a competitive environment in medicine**

1. Multilevel system of consumers (intermediaries) of medical services
2. Conflicting (sometimes antagonistic from the economic point of view) interests of the subjects of production and consumption of medical services.
3. Payers and intermediaries do not bear the ultimate legal responsibility for the results of treatment of patients
4. Absence of any objective indicators of quality of medical care for patients, doctors and payers. Impossibility to establish unambiguous correlation between price and quality of provided medical service.
5. Lack of opportunity and extreme lack of awareness of patients about the prices of medical services from different physicians

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### **Competition and monopoly**

<b>Market status options</b>	<b>Free competition</b>	<b>Absolute monopoly</b>
The number of sellers	A lot	One
Barriers to market entry and exit	No	There are (no instances)
The participation of the owners of the goods in the price control	No	Full control

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**Types of competitive behaviour  
of market entity:**

**Creative** behavior aimed at creating prerequisites to ensure superiority over rivals;

**Adapted** taking into account the innovative changes in production (copying) and proactive actions by rivals;

**Providing (guarantee)** behavior, aimed at preserving the achieved positions.

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**On the intensity of competition can be:**

- attractive;
- moderate;
- fierce competition for the object of fierce competition for the subject

**Types of participants**

- leaders,
- contenders for the leadership,
- slave,
- newcomers.

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**Forms of competition**

**subject** the competition between the products of one product group, between similar objects that satisfy the same need;

**functional** competition between commodities (objects) substitutes.

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### **Classification of competition**

#### **the scale of development**

- *private, local,*
- *sectoral, intersectoral,*
- *national, international*

#### **method of competition**

- *pricing*
- *non-pricing*

#### **the nature of the**

- *free,*
- *adjustable*

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- **Pricing competition** between manufacturers fighting for additional profits by reducing production costs and lower prices for products without changing its range and quality.

#### **How to price competition**

- dumping
- price discrimination
- leasing
- product quality differentiation

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- **Non-pricing competition** is a struggle between the actors of the market based on technical superiority, of high quality and reliability of products, more effective marketing techniques, the use of marketing, expanding the kinds of services and guarantees buyers, improve the conditions of payment and other techniques.

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## Methods of competition

- by improving product quality (non-price);
- based on the criterion of improving the service quality of the goods;
- on the basis of a reduction of the purchase price (price);
- reduce operational costs-based consumer goods;
- from all the competitive advantages of the object and the subject (cumulative).

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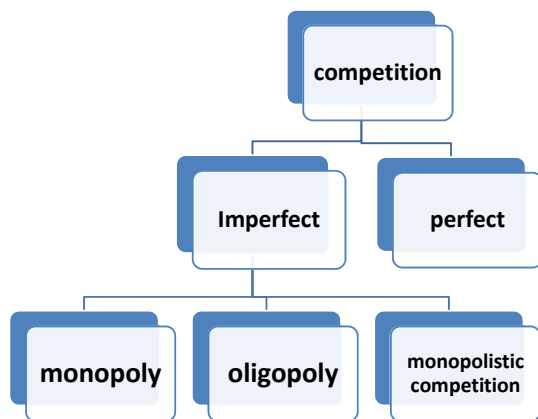
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## Five factors influence whether competition is healthy.

		Implication for market	
		Providers	Competition
What is the relevant market-segment size?	Large	More	More
	Small	Fewer	Less
What is the minimum economic scale?	High costs	Fewer	Less
	Low costs	More	More
What is the minimum clinical scale?	High patient volumes	Fewer	Less
	Low patient volumes	More	More
Are there significant barriers to market entry or exit?	Yes	Fewer	Less
	No	More	More
Are there significant barriers to switching?	Yes	Fewer	Less
	No	More	More

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- What is the relevant market-segment size?
- What is the minimum economic scale?
- What is the minimum clinical scale?
- Are there significant barriers to market entry or exit?
- Are there significant barriers preventing patients from switching providers?

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The answer to each question varies considerably depending on the clinical setting, even within a given care pathway. As a result, the level of competition that is healthy may also vary considerably in different clinical settings — largely (but not entirely) because of the minimum economic and clinical scales needed to ensure high-quality, efficient care delivery.

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Consider, for example, the difference between weight-loss services and bariatric surgery in the obesity care pathway. For providers of weight-loss services (Weight Watchers, Slim-Fast, local gyms, etc.), the minimum economic scale is low: setup and overhead costs are small. The minimum clinical scale is also relatively low: the level of training needed to provide nutritional consultations and programs of physical activity is not as substantial as the level required to perform surgery. Furthermore, no minimum throughput of patients/customers is necessary to ensure that the services provided are safe. As a result, weight-loss services can be delivered by a variety of competitors in most cities and towns.

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- In comparison, bariatric surgery requires a substantial amount of clinical expertise and specialized infrastructure, as well as a relatively high patient throughput, if high-quality care is to be delivered. A bariatric surgery provider requires a population base of about one million people to ensure that an adequate number of patients will request treatment.

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In many cases, minimum clinical scale is the decisive factor for determining how much competition is appropriate.

For example, a provider can deliver routine childhood immunization services safely to a relatively small population (perhaps 10,000 or 20,000 people).

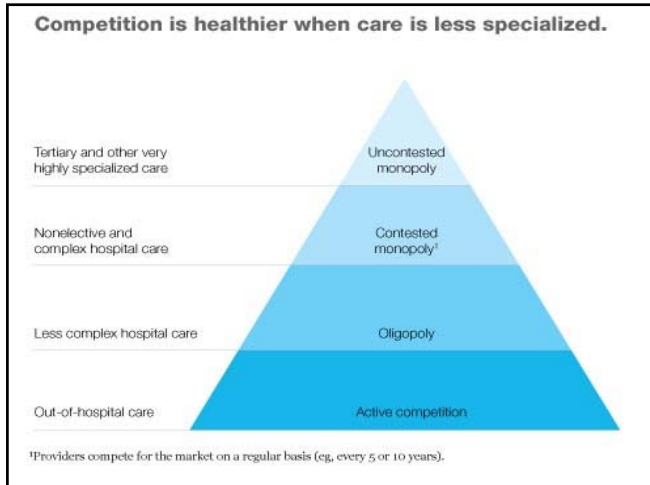
By contrast, a high-quality inpatient pediatric service that offers 24/7 access to specialist staff requires a much larger population (probably about 500,000 people) to ensure that the staff takes care of enough children to keep its skills sharp.

Consequently, a small city could safely support multiple providers of childhood immunization services but only one hospital offering inpatient pediatric care.

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- We have come to believe that as health care markets become less specialized and less reliant on expensive infrastructure, they can support an increasing number of providers. Pragmatically, this means there should be less competition when care is delivered in highly specialized hospital settings and more competition when care is delivered outside the hospital.

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- **Oligopoly** *this domination of the market few firms producing identical or similar goods*

**Causes underlying the development of oligopoly**

- Economies of scale, allowing you to reduce costs per unit of production;
- Barriers to entry: the need for ownership of patents and strategic raw materials, a huge advertising costs;
- The advantages of a merger: combining two or more contesting companies can greatly increase their market share and enable new and larger production facility to achieve greater economies of scale.

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**Price war** is a loop of consecutive decreases prices competitors on the **oligopolistic market**

**Features of oligopoly:**

- 1 price leadership;
- 2 traditionalism;
- 3 secret agreement at the stage of rivals marketing product (cartel)

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- These examples illustrate how health systems have increased provider competition successfully, but it is worth pointing out that in some circumstances, reducing the level of competition may be the wiser course (when care quality suffers because of low patient volumes, for example).
- Our experience suggests that health systems have three options if they want to change the structure of a health care market: they can bring in new providers to increase competition, enforce consolidation (possibly through mergers or acquisitions) to decrease competition, or carve out specific services and then issue a tender, which can either increase or decrease competition. Which option is best depends on the circumstances a health system faces.

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#### There are three options for changing market structure.

Levers	This choice is appropriate when
Bring in new providers	<ul style="list-style-type: none"> <li>• Limited competition reduces the value of funds available for health care provision or increases the risks resulting from a small provider base</li> <li>• Additional providers could deliver care safely and effectively</li> </ul>
Enforce consolidation	<ul style="list-style-type: none"> <li>• Existing providers are subscale from an economic or clinical perspective</li> </ul>
Carve out services and tender	<ul style="list-style-type: none"> <li>• Providers could compete to offer unbundled services and thereby deliver better value for money; this may increase or decrease the overall level of competition</li> </ul>

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- **Monopoly** (from the Greek. monos - one poleo - sell) is a large owner who captures the bulk of the market space for their own enrichment.

*No monopoly is bad in itself, and the removal of its competition*

F. Hayek

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## MONOPOLY

### «Pro»

- 1 high quality products;
- 2 the development of scientific and technological progress in manufacturing.

### «Contra»

- 1 Increased income inequality;
- 2 small business bankruptcy and unemployment;
- 3 instability in the social and political sphere.

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### **Types of monopolies**

#### **the coverage of the economy**

- absolute monopoly
- absolute monopsony

#### **the nature and causes of the**

- natural
- legal
- artificial

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### **Natural monopoly**

1. public utilities (gas, water, electricity);
2. patent services (patent protection rights inventor for invention during its life and 17 years after his death);
3. trademark and trademark (sign of quality goods, protects the rights of the owners of the within life and 50 years after death)

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In healthcare, as well as in other sectors of the economy, a pure market monopoly is quite rare.

- These are usually natural monopolies.

- For example, in rural areas, these include a local ambulance, a local hospital, a local practitioner

The volume of demand, the technology to produce medical services in this area require the single ambulance, the single hospital, the single doctor.

The opening of an additional competing hospital would lead to an excess supply of medical services, an increase in public costs for the production of medical services, and a decrease in the efficiency of medical care production.

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- **Local monopoly** the consumer is limited in the ability to choose a doctor at the place of residence and therefore has to look for a doctor outside, that is, there is a situation called in the economic literature as a «choice beyond the border» (*cross-border-choice*).

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### Entrance barriers protecting the monopolistic market

#### Economic:

- low production costs due to the increased scale of production;
- access to material resources and other factors because of the lack of them on the open market;
- advertisement.

#### Legal:

- Production of a product protected by the patent, copyright, license, trademark.
- The exclusive right to engage in the activity (alcoholic beverages, tobacco, foreign trade monopoly).
- The State registration of individual activities.

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- **A patent** is a document issued by the competent authority for a specified period, the certification some right. It gives the patent holder the exclusive right to make, use and sell his invention during the patent term.
- **A trademark** (symbol picture) or part thereof, provided legal protection.
- **Copyright** is the exclusive right to dispose of the sale and reproduction (replication) of his works.

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- **License** the official permission to engage in a particular activity (for example, an export permit, import). Issued by the public administration. Generally it is paid.



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- *Monopolistic competition involves product differentiation, i.e. that it has such properties that are not products of competitors*

**E. Chamberlain**

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- *Why some countries in the competition win, while others turn out to be a loser? Of all the issues related to the transition, perhaps this sounds in our time. Competitiveness is primarily concerned about Governments and industry of any country.*

**Michael Porter**



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### **Directions for Antimonopoly Policy**

- *absolute prevention of monopolization of the market*
- *the maintenance of competition in the civilized forms*
- *prohibition of mergers of competing companies*
- *prohibition of establishment of monopoly prices*

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**Antitrust law** is the system of laws that restrict the actions of companies that reduce competition and establish a monopoly.

### **Antitrust laws in the Russian Federation**

- *The Criminal Code of the Russian Federation (art. 178)*
- *Federal law dated July 26, 2006 N 135-FZ «On protection of competition»*
- *Russia's federal anti-monopoly service (FAS)*

Control of FAS in accordance with competition law subject to the following:

- *establishment and reorganization of commercial organizations;*
- *transactions with shares, property, commercial organizations, rights with respect to commercial organizations;*
- *transactions with shares, assets, financial organizations and rights in relation to financial institutions;*
- *transactions, other actions, the implementation of which must be notified to the competition authority.*

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## 6. ENTERPRISE IN MARKET ECONOMY

**Business** is self, performed at one's own risk, aimed at systematically deriving a profit from the use of property, sale of goods, performance of works or provision of services by persons registered as such in accordance with the established law order

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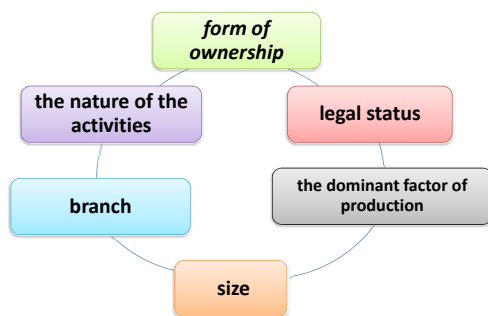
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### *Signs of classification of enterprises*



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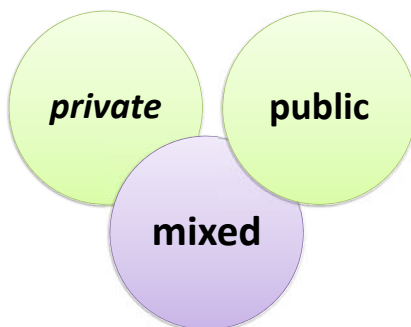
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### *Forms of ownership*



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## Sectors in the economy

- It is common to classify economic activity into two sectors: the public sector and the private sector
- **The public sector** is owned and controlled by the government. This covers all levels of government – from local to central government – and includes all the organizations which are funded by the taxpayer. The public sector is not as large as, say, thirty years ago, due to successive governments pursuing a policy of privatization (transferring organizations from the public to the private sector), but it still accounts for a significant proportion of the business activity in Russia. Examples of public sector activity in Russia include the Health Service and the provision of libraries.

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State and municipal unitary enterprises

**Unitary enterprises** as a *commercial organization, not with ownership of the owner of the property it; this property is indivisible, i.e. can not be distributed on deposits (shares, shares), including among employees.*

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- **The private sector** consists of businesses owned and controlled by private individuals acting either on their own or in groups. Although private sector organizations have to comply with laws and regulations set out by the government, these businesses are free to pursue their own ends.

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- There are three main types of business organization within the private sector.
- **Sole traders**
- **Partnerships**
- **Limited companies**

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#### **Sole traders**

- A sole trader is a one-person business (the business is owned by one person but others can be employed to work within the business). The sole trader is an **unincorporated business organization**. This means that the legal status of the business is no different to that of the owner. If the business cannot pay its debts then it would be up to the owner to clear the debts even if this meant selling personal (non-business) assets to clear the business debt. Sole traders are generally small organizations but are very common – mainly due to the ease of setting up as a sole trader.

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#### **Classification characteristics**

- the number of participants of the economic association;
- the owner of the applicable capital;
- the method of distribution of profits and losses;
- the sources property of the material basis of economic activity of the entity;
- limits of liability.

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## The company

- The company is a property distinct economic unit organized to achieve any economic purpose, i.e. it is an economic unit that:
- *independently decides;*
- *actually uses inputs to the manufacture and sale of products;*
- *seeking income and other purposes*

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## • Partnerships

- Partnerships are also unincorporated businesses. A greater number of owners potentially allows a greater contribution of capital into the business thus increasing the chances of success and minimising risk of failure. However, partners may still have to sell their own possessions to clear the debts of the partnership in certain circumstances.

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- A limited partnership was a variant on the partnership. This form of organization allowed some (but not all) partners to enjoy **limited liability**, which meant that they avoided the risk of selling personal possessions.
- The *Limited Liability Partnership (LLP)* is closer in many respects to a limited company in that all members of the LLP (partners) enjoy limited liability. However, the profits are treated as income for the partners rather than that of the organization which is similar to how other unincorporated organisations (sole traders and ordinary partnerships) are treated.

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- **Limited companies**
- A company has undergone the process of incorporation. This means a company exists separately from those who own the company. This means that the company will carry on independently from the owners. The owners of limited companies are known as shareholders.
- There are two types of limited company: public limited companies and private limited companies. They are run by directors elected by the shareholders. It is appropriate to talk of a 'separation of ownership from control' – it is the shareholders who own the company, but it is the directors and managers who actually run the company.
- This can potentially cause a conflict of interest as the two groups may have differing objectives. This conflict highlights the importance of having clearly presented and understandable financial statements for user groups to examine and assess.

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### companies

#### **Limited liability company (LLC)**

established by one or more persons to society, whose authorized capital divided into shares certain founding documents sizes.

The participants of the LLC is not liable for its obligations and bear the risk of losses associated with the activities of the society, to the extent of the value of their contributions.

#### **Joint-stock company (JSC)**

company, the authorized capital of which is divided into a certain number of shares.

The participants of the JSC (shareholders) are not liable for its obligations and bear the risk of losses associated with the activities of the society, within the limits of the value of the shares belonging to them.

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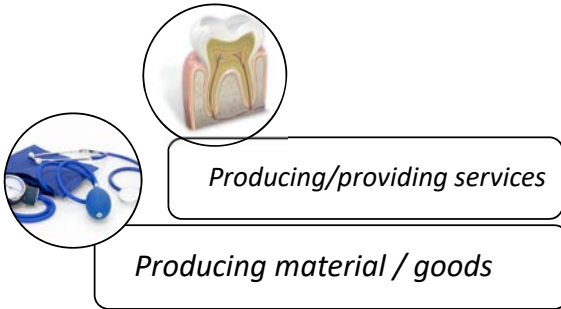
### Types of small business organizations\*

Criteria By size	Medium Enterprise	Small Enterprise	Micro Enterprise
Income	2 Billion. Rub.	800 Million. Rub.	120 Million. Rub.
Number of employees	101-250 men	100 men	15 men

\*Federal Law from 24-Jul-2007 N209-FZ,  
Government directive from 04-Apr-2016 N265

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### ***On the nature of activity***



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### ***By industry sector***

- ***industrial***
- ***trading***
- ***agricultural***
- ***transport***
- ***banking***
- ***insurance***
- ***healthcare***



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*Organization is a certain way organized association of persons that:*

- *has private property;*
- *is liable only with this property for its obligations;*
- *may acquire and exercise property and non-property rights on its own behalf;*
- *can be plaintiff and defendant in court;*
- *has an independent balance and estimate.*

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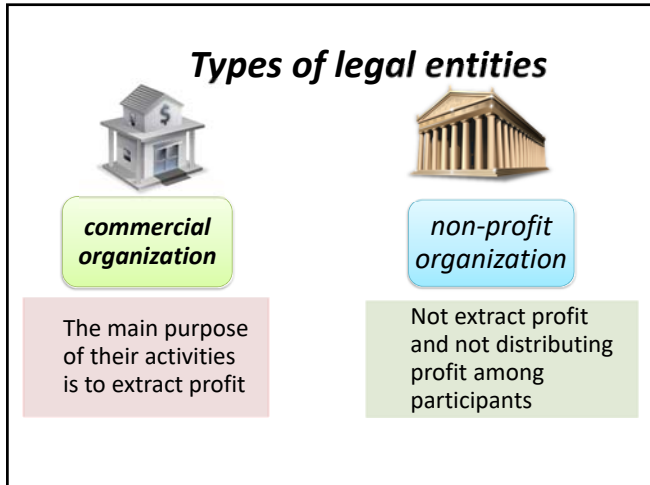
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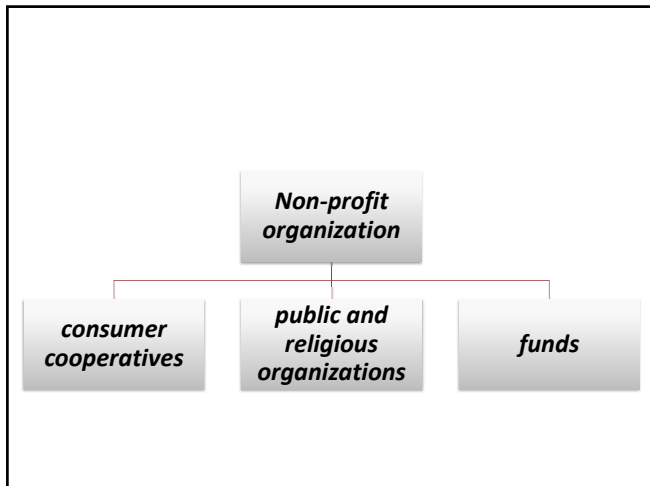
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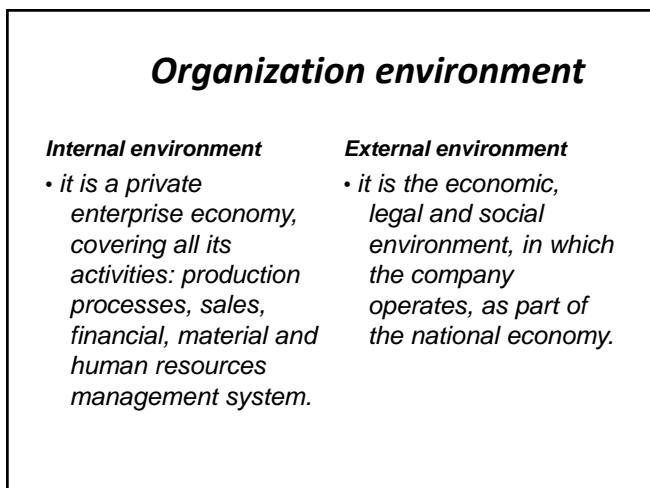
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- **Management** is a science that emerged based on the practical experience of management, relies on the full amount of knowledge about managing accumulated by mankind, and contains concepts, theories, principles, methods and forms of Government.

Its main tasks are:

- explanations of the nature of managerial work;
- establishing cause-and-effect relationships in this area;
- identifying factors and conditions the effectiveness of labour;
- development of methods for effective operational management;
- prediction of events, development of methods of strategic management and organization policies.

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- **Marketing** is the management of the supply activities of the Organization, that based on continuous integrated market analysis.

Marketing objectives:

- satisfaction of the needs and demands of clients, providing high volume of sales,
- the growth rate of sales and competitiveness, the conquest of certain shares and market segments, increase profit and all its derivatives (components), the conquest of good image (image) of the firm, positioning brands, etc.

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#### Foreign companies *environment* (indirect impact)

- *Economy*
- *International situation*
- *Political factors*
- *The level of scientific and technical progress*
- *Socio-cultural factors*

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The objectives of the business refer to the long-term aims of the business. It is commonly assumed that all businesses in the private sector have profit maximisation as their prime objective. This means that business activity will be focused on increasing the profits of the business. The objective of profit maximisation has a certain logic to it – after all, businesses are often set up to generate a return for the owner of the business. In the case of limited companies, the objective of profit maximisation is more formally built into the activities of the business. A limited company is owned by shareholders who often buy shares in a company purely to generate as high a return as possible. Therefore the directors of the company will ensure that the activities of the business are focused on maximising profits.

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It is argued that businesses in reality do not always focus on profit maximisation as their prime objective. Sole traders and partnerships may have other objectives such as any of the following:

- Survival
- Personal objectives
- Market share growth.

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- Objectives can change over time. A business trading in a period of reduced economic activity (especially a recession) may focus on survival rather than profit maximisation. This switch in objectives may mean that decisions are taken which would not normally be considered (e.g. selling assets at a loss simply to raise cash).

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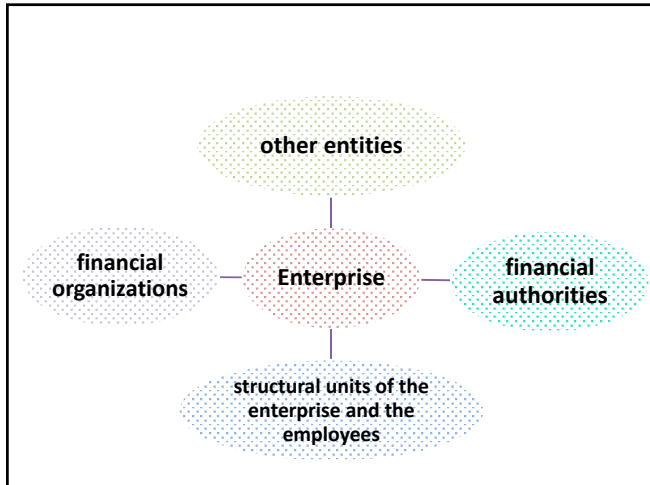
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## 7. COMPANY INCOME AND EXPENSES



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- The main purpose of the **financial analysis** is development and adoption of sound management decisions aimed at improving the efficiency of a business entity

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### The main tasks of analysis of financial results

- systematic monitoring of the implementation of the plans of realization of production and profit;
- definition of influence objective subjective factors on financial results;
- identification of reserves increases profit and profitability;
- assessment of the work of the enterprise to take advantage of increased profits and profitability;
- development of measures on the use of identified reserves.

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The balance of income and expenses is the main form of financial planning

The **financial plan** reflects the results of economic and financial activities of the enterprise, its relationship with banks and other organizations

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### Sections of the financial plan

1. revenues and funds
2. expenses and deductions of funds
3. credit relationships
4. relationship with the budget.

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### ***Income and revenues***

1. Profit from sales of goods, works, services.
2. Profit from other implementations (fixed assets, other assets).
3. Planned sales revenue, including:
  - income from equity participation in the authorized capital of other enterprises;
  - income received from the securities;
  - income from keeping funds on deposit accounts in banks;
  - income from renting property rent.
4. Depreciation and amortization for the full restoration of fixed assets and intangible assets.
5. The receipt of funds from other companies.

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### ***Costs and payments of funds***

1. *Taxes paid out of profits (in taxes).*
2. *Distribution of net profit, including:*
  - *accumulation (directions for use);*
  - *consumption (according to a course).*
3. *Long-term investment (by forms of investment), including:*
  - *depreciation expense;*
  - *other sources (according to sources).*
4. *other costs.*

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***Accounting is the basic source of information on the financial sustainability of the enterprise***

***Accounting is a unified data system on the financial situation of the Organization, the financial results of its operations and changes in its financial position is calculated on the basis of the accounting data***

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Term	Description
Assets	Assets are the resources which are used by the business as part of the activities of the business (e.g. property, equipment and cash).
Liabilities	Liabilities represent the debts of the business - i.e. what is owed by the business to others. These may be short-term debts which are to be repaid soon or long-term debts which may be outstanding and owing for many years (e.g. a mortgage).
Capital (or equity)	Capital refers to the resources supplied to the business by the owner(s) of the business. This capital could be in the form of money or as other assets.

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- Accounting systems must follow rules. Rules and regulations are not as important for the purpose of internal accounts as they are for those for external publication and external use. The rules and regulations which apply to larger business organizations would also apply to those of a small organization.
- Accounting standards are a set of continually evolving documents which provide guidance on various aspects of financial accounting.

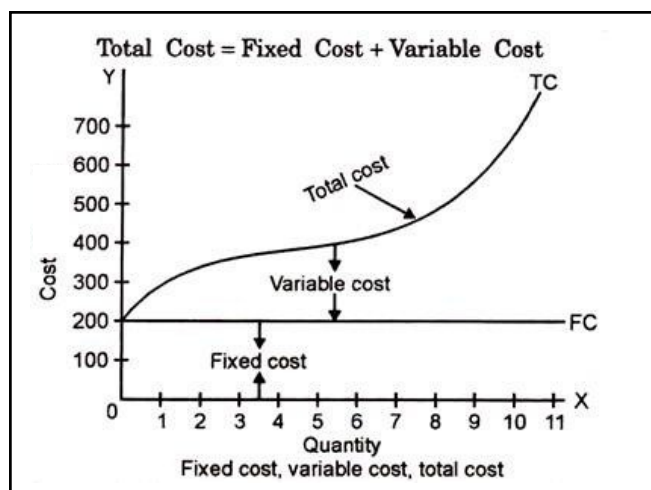
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**Financial results** (revenue, profits) are generalized the results of economic activity of the enterprise and serve as key indicators of its effectiveness.

**The initial capital** invested in production, creates value in cost of products sold. After selling products it takes cash form-a form of revenue.

To identify financial result revenues must be mapped to the cost of production and sale, which takes the form of the product cost.

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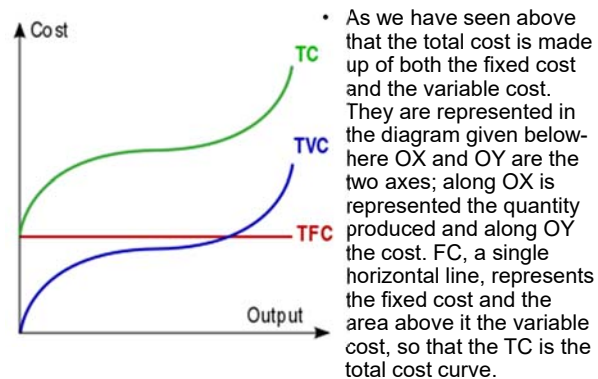
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- **Recurrent Fixed Costs** are those which give rise to cash outlays, as certain explicit payments like-rent, interest on capital, general insurance premiums, salaries of permanent irreducible staff etc. are to be made at a regular time-interval by the firm.
- **Allocable Fixed Costs** refer to implicit money costs like depreciation charges which involve no direct cash outlays but are to be reckoned on the basis of time rather than usage.

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- **The short-run variable costs include:**
- **ADVERTISEMENTS:**
  - 1 Price of raw-materials,
  - 2 Wages of labour,
  - 3 Fuel and power charges,
  - 4 Excise duties, sales tax,
  - 5 Transport expenditure etc.,

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- **Variable costs** are those costs incurred on variable factors. These costs vary directly with the level of output. In other words, variable costs are those costs which rise when output expands and fall when output contracts. When output is nil, they are reduced to zero.
- Variable costs are frequently referred to as **Direct Costs or Prime Costs**. Briefly, variable costs or prime costs represent all those costs which can be altered in the short-run as the output alters. These are regarded as “**Avoidable Contractual Costs.**” (When output is nil).

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**Distinction between Variable Cost (Prime Costs) and Fixed Costs (Supplementary Costs)—  
Distinction between the two are as follows:**

- 1. The variable costs and the fixed costs applies only to the short period, because it has been seen that nothing can remain fixed in the long-run, because in the long-run, even the strength and the salary bill of the staff may change, the amount of capital invested may be different, hence the amount of interest would vary and the dimensions of the factory may have to be changed and hence the amount of rent would vary.
- 2. All costs which were regarded as fixed in the short period may vary in the long period. Therefore, it can be said that in the long-run, all costs are variable

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$$BEP = \frac{FC}{\frac{C}{P}} = \frac{FC}{\frac{P - VC}{P}} \quad BEP = \frac{FC}{C} = \frac{FC}{P - VC}$$

- BEP *break-even point*,
- FC *fixed costs*,
- AVC *average variable costs*,
- P *sale price per unit*,
- C *contribution margin per unit (C=P-AVC)*

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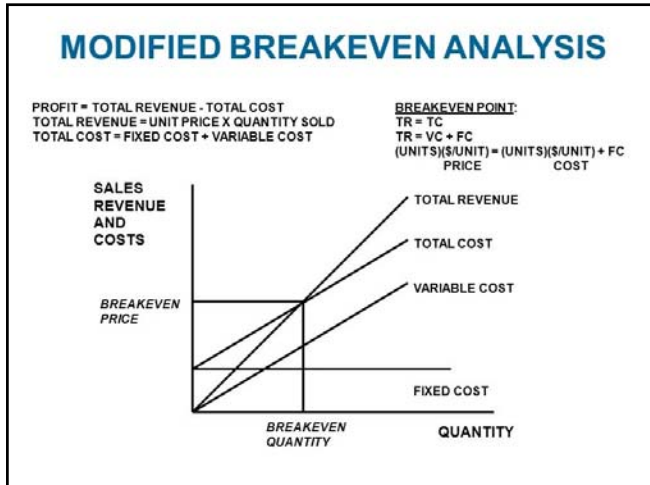
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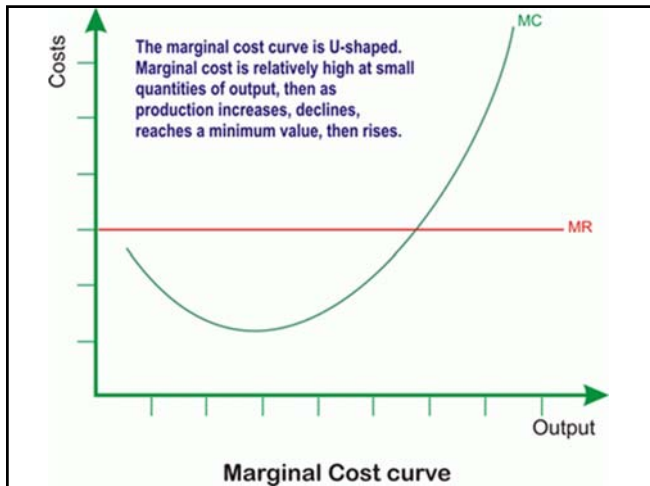
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**The function of profits:**

- characterizes the economic effect resulting from the activity of the enterprise;
- is a key element of the financial resources of the enterprise;
- is a source of formation of budgets of different levels.

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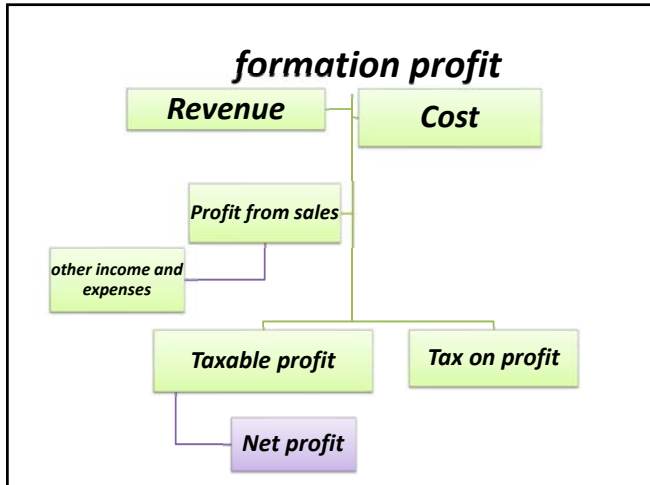
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- **Profit from realization of goods (works, services)** is the financial result from operating activities of the enterprise, which may be implemented in any type of enshrined in its Charter and not prohibited by law.
- Is calculated as the difference between proceeds from sales (excluding VAT and excises) and the costs of production and sales.

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- **Net profit** is the profit that remain at the disposal of the enterprise after the introduction of taxes and other payments.
- It describes the final financial results of activity of the enterprise
- **Profitability** is one of the main cost of quality performance indicators Enterprise characterizing the level of cost-effectiveness and the extent of the use of funds in the process of production and sales

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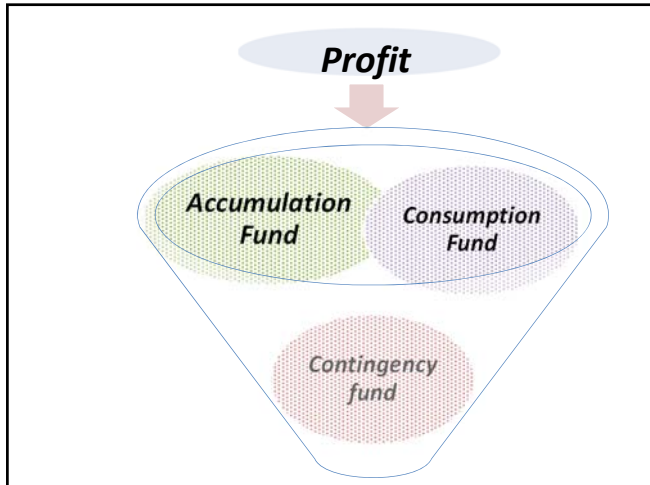
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- **Bankruptcy** is an implementation of catastrophic risks of the enterprise in the process of its financial activity, which it is unable to meet the deadlines, presented by creditors and fulfill obligations to the budget.

**External factors of bankruptcy**

- Economic situation
- Political situation
- International competition
- Demographic situation

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**Internal factors of bankruptcy:**

Shortage of own working capital  
 Low level of technology, technology and organization of production.  
 Reducing production efficiency of enterprise resources  
 Creating excessive residue under construction, incomplete production, inventory, finished goods  
 Bad Company clientele  
 Lack of marketing

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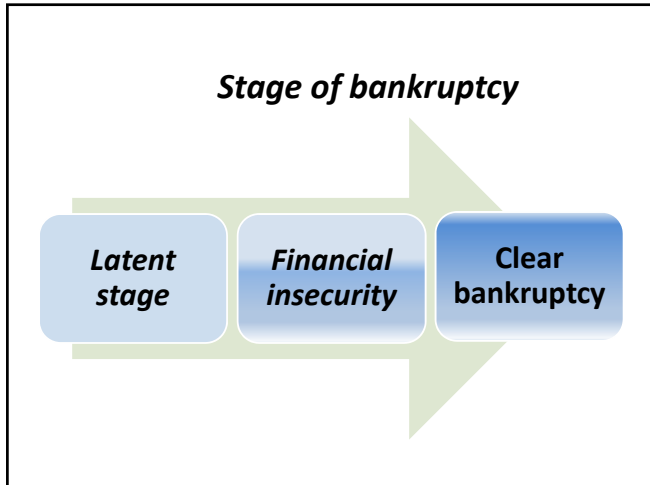
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- **Latent stage** of bankruptcy begins imperceptible, especially if not adjusted special accounting, reducing the "price" of the enterprise due to adverse trends both within the enterprise and outside.

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**Financial insecurity**  
 Start difficulties with cash, there are some early signs of bankruptcy: a dramatic change in the structure of the balance sheet and financial results.  
 Particular concern should call:

- 1) sharp decline in cash balances;
- 2) increase in accounts receivable;
- 3) aging receivables accounts;
- 4) rebalancing Debitor and creditor debts;
- 5) increase in accounts payable.

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### **Clear bankruptcy**

- *The company can not timely pay debts and bankruptcy becomes a legally clear. Bankruptcy appears as inconsistent cash flows.*
- *The company could become insolvent in industry growth, even the boomers and industry braking and recession. Given the sharp rise of the industry is increasing competition, in the midst of a recession and falling growth.*

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### **Ways to overcome the crisis**

- 1 strategic planning:*
- *anti-crisis strategic planning;*
  - *operational planning.*
- 2. restructuring*
- 3. reorganization:*
- *restore the enterprise financial stability;*
  - *replenishment of circulating assets due to the interest of others provided assistance.*

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*Identify and practically use reserves to improve the utilization of all types of available resources is only possible through careful financial economic analysis*

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## 8. MACRO-ECONOMIC PHENOMENA AND PROCESSES

- **Macroeconomics** is a composite section of economic theory, which examines the performance of the national economy as a whole.

Researched issues:

- the formation of the volume and structure of gross national product,
- factors and mechanisms of economic growth and the balance of the national economy,
- nature and consequences of inflation, unemployment, cycling etc.

1

### The process of formation of macroeconomics

**William Petty** carried out an assessment of the national income of his country for the first time in the world

**François Kène** created the first macroeconomic model of the national economy

2

**1920-30s. USSR** system of indicators and tables, called the *balance of the national economy*

**1930s. West** create invoices, linking all the indicators of economic activity after the great depression (1929-1933) A.Marshall, J.M.Keynes

- Scientists contributed to the establishment of *the system of national accounts (SNA)*
- R.Stone, K.Clark, J.Hicks (English economists)
- S.Smith, M.Gilbert, leontiev and others. (American economists)

3

**1945** principles of the SNA had been brought into the operational view and published the white paper

**1953** created the first standard of the SNA, which published in the UN as the first internationally recognized system of macroeconomic indicators «system of national accounts and supporting tables»

4

**1968** new version of the SNA "blue book" included: free accounts; production, consumption, use of capital; the income and expenditure accounts and the accounts of financing capital expenditure.

**1993** third version of the international SNA.

**2008** current system includes all production areas

Now in stock trading uses a number of SNA as indexes of business activity.

5

The work on SNA implementation in the Russian statistical practice has been carried out since 1991 to ensure that the Russian system of accounting and statistics complies with the International standard "System of National Accounts 1993".

The quality of Russian national accounts is verified by the Organization for Economic Co-operation and Development and the International Monetary Fund. According to the "Survey on the state of the statistical system of the RF" corresponds to almost all the requirements of the 1993 SNA.

By the decision of the Government, adopted at the meeting on August 1, 2013 in connection with the adoption by the UN Statistical Commission in 2009 of the International Standard "system of National Accounts 2008" by international organizations recommended the Russian Federation to move to Methodology of the 2008 SNA. These recommendations are taken into account in the development plan of the Russian SNA for the period of 2011 – 2017.

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**Main indicators of SNA:**

- Gross domestic product
- Gross national income
- Gross national disposable income
- Final consumption
- Gross capital formation
- National saving
- Net lending
- Net borrowing
- National wealth
- Balance of foreign trade

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Each of the main macroeconomic indicators of the system of national accounts as a rule corresponds to the equivalent calculated at the level of the individual producer, a business entity. The results of the economic activity is determined on the basis of a system of indicators.

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**The main indicator of the SNA**

*Gross domestic product (GDP).*

*Gross national product (GNP)* earlier macroeconomic indicator used in the statistics of a number of foreign countries

Both of these indicator is defined as the value of total final production of goods and services in the economy for one year (quarter, month).

They are calculated in prices as current (operating) and permanent (any base year).

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### The difference between GNP and GDP

**GDP** is calculated by the so-called territorial principle. This is the total cost of production spheres of material production and services irrespective of the nationality of the enterprises located on the territory of the country

**GNP** is the total cost of the total volume of products and services in both spheres of the national economy, regardless of the location of national enterprises (in your own country or abroad).

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### SNA Russia currently includes the following accounts:

- *Goods and services account*
- *Production account*
- *Generation of income account*
- *Secondary distribution of income account*
- *Use of disposable income account*
- *adjusted disposable income account*
- *Capital account*

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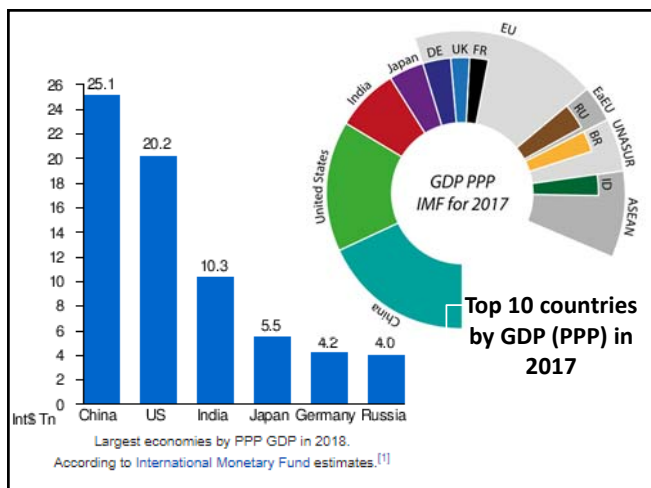
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- Total income can be subdivided according to various schemes, leading to various formulae for GDP measured by the income approach. A common one is:
- $\text{GDP} = \text{COE} + \text{GOS} + \text{GMI} + \text{TP \& M} - \text{SP \& M}$
- Compensation of employees (COE) measures the total remuneration to employees for work done. It includes wages and salaries, as well as employer contributions to social security and other such programs.
- Gross operating surplus (GOS) is the surplus due to owners of incorporated businesses. Often called profits, although only a subset of total costs are subtracted from gross output to calculate GOS.
- Gross mixed income (GMI) is the same measure as GOS, but for unincorporated businesses. This often includes most small businesses.

13

- The sum of COE, GOS and GMI is called total factor income; it is the income of all of the factors of production in society. It measures the value of GDP at factor (basic) prices.
- The difference between basic prices and final prices (those used in the expenditure calculation) is the total taxes and subsidies that the government has levied or paid on that production.
- So adding taxes less subsidies on production and imports converts GDP(I) at factor cost to GDP(I) at final prices.

14

- Total factor income is also sometimes expressed as:
- $\text{Total factor income} = \text{employee compensation} + \text{corporate profits} + \text{proprietor's income} + \text{rental income} + \text{net interest}$

15

- Expenditure approach
- The third way to estimate GDP is to calculate the sum of the final uses of goods and services (all uses except intermediate consumption) measured in purchasers' prices.
- Market goods which are produced are purchased by someone. In the case where a good is produced and unsold, the standard accounting convention is that the producer has bought the good from themselves. Therefore, measuring the total expenditure used to buy things is a way of measuring production. This is known as the expenditure method of calculating GDP.

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#### • Components of GDP by expenditure

GDP (Y) is the sum of consumption (C), investment (I), government spending (G) and net exports (X – M).

$$Y = C + I + G + (X - M)$$

Here is a description of each GDP component:

**C (consumption)** is normally the largest GDP component in the economy, consisting of private expenditures in the economy (household final consumption expenditure). These personal expenditures fall under one of the following categories: durable goods, nondurable goods, and services. Examples include food, rent, jewelry, gasoline, and medical expenses, but not the purchase of new housing.

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- **I (investment)** includes, for instance, business investment in equipment, but does not include exchanges of existing assets. Spending by households on new houses is also included in investment. In contrast to its colloquial meaning, "investment" in GDP does not mean purchases of financial products. Buying financial products is classed as 'saving', as opposed to investment. This avoids double-counting: if one buys shares in a company, and the company uses the money received to buy plant, equipment, etc., the amount will be counted toward GDP when the company spends the money on those things; to also count it when one gives it to the company would be to count two times an amount that only corresponds to one group of products. Buying bonds or stocks is a swapping of deeds, a transfer of claims on future production, not directly an expenditure on products
- **G (government spending)** is the sum of government expenditures on final goods and services. It includes salaries of public servants, purchases of weapons for the military and any investment expenditure by a government. It does not include any transfer payments, such as social security or unemployment benefits.

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- **X (exports)** represents gross exports. GDP captures the amount a country produces, including goods and services produced for other nations' consumption, therefore exports are added.
- **M (imports)** represents gross imports. Imports are subtracted since imported goods will be included in the terms G, I, or C, and must be deducted to avoid counting foreign supply as domestic.
- Note that C, G, and I are expenditures on final goods and services; expenditures on intermediate goods and services do not count. (Intermediate goods and services are those used by businesses to produce other goods and services within the accounting year).

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- As a rule, the health expenditure curve reflects the economic state of the country: the Richer state, the better care for the health of citizens. In the OECD average, the level of expenditure on health (excluding investments) has reached 9.0% of GDP. In this case, the indicators of individual countries ranged from 2.8% (Indonesia) to 17.2% (USA).

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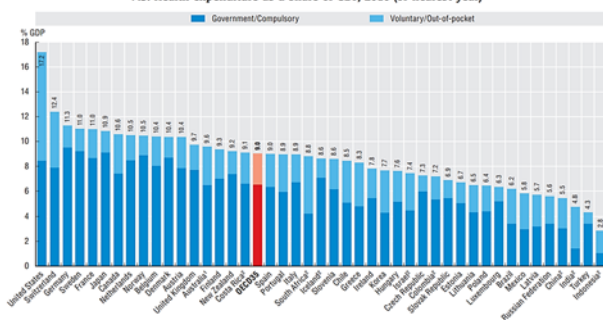
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7.3. Health expenditure as a share of GDP, 2016 (or nearest year)



Note: Expenditure excludes investments, unless otherwise stated.  
 1. Australian expenditure estimates exclude all expenditure for residential aged care facilities in welfare (social) services.  
 2. Includes investments.  
 Source: OECD Health Statistics 2017, WHO Global Health Expenditure Database.  
 StatLink <http://dx.doi.org/10.1787/888933604229>

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## Macroeconomic indicators

### Leading indicators

- dynamics of GDP, i.e. the aggregate growth (decrease) of the sphere of production of goods and services (particularly trade and transport).

### Financial indicators

- inflation, budget deficits, dimensions and dynamics of the money supply, discount rate, as well as index (indices of) stock market

### Outwardly economic indicators

- foreign trade balance (the difference between exports and imports), balance of payments and the stability of the exchange rate of the national currency

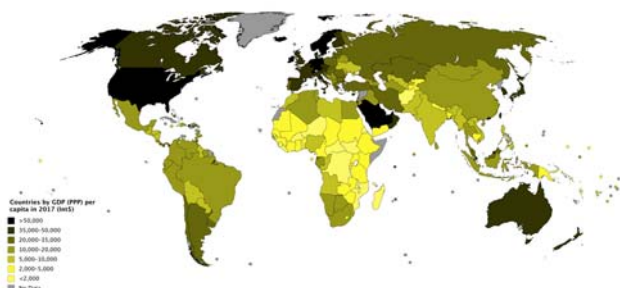
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- **Gross national income per capita** shows the number of goods and services produced per one inhabitant of the state on average (the index of living standards, well-being index)

$$\text{GNI} \div \text{population}$$

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Countries by GDP (PPP) per capita (Int\$) in 2017 according to the IMF



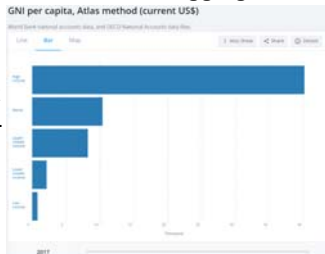
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- The World Bank assigns the world's economies into four income groups — high, upper-middle, lower-middle, and low. We base this assignment on GNI per capita calculated using the **Atlas method**. The units for this measure and for the thresholds is current US Dollars.
- At the Bank, these classifications are used to **aggregate data for groups of similar countries**. The income-category of a country is not one of the factors used that influence lending decisions.



THE WORLD BANK  
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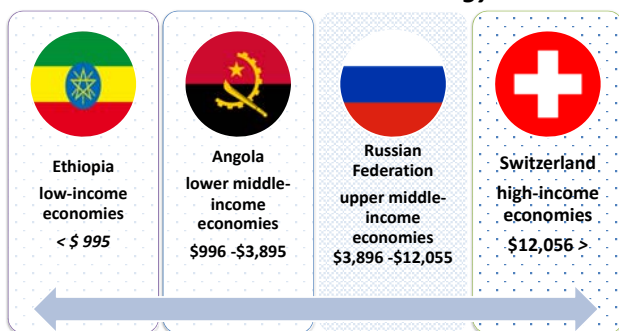


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- Each year on July 1st, we update the classifications. They change for two reasons:
  1. In each country, factors such as income growth, inflation, exchange rates, and population change, influence GNI per capita.
  2. To keep the dollar thresholds which separate the classifications fixed in real terms, we adjust them for inflation.

26

### Classification of countries according to the World Bank methodology



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### **Economic growth component of economic development**

*Is expressed directly in the quantitative increase in GDP and its components.*

*Factors of economic growth:*

- *Increased investment*
- *Rate of accumulation in national income*
- *Population growth rate*

*Technical progress*

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### **Types of economic growth**

#### **Extensive**

*From Lat. extensus - Expansion of production volumes due to:*

- a) *equity capital (funds)*
- b) *workforce*
- c) *material costs (natural raw materials, materials, energy).*

#### **Intensive**

*From Fr. intensif There is a new economic growth factor-increased efficiency of all traditional factors*

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### **+/- of extensive growth**

*The easiest way to increase the pace of economic development. With his help, the rapid development of natural resources, as well as manage relatively quickly reduce or eliminate unemployment, provide great employment labour force.*

*It is typical of technical stagnation, in which a quantitative increase in output is not accompanied by techno-economic progress.*

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### **The state of macroeconomics**

*State of equilibrium-growth goes as if on a straight path (output increases in proportion to the growth of production factors);*

*State of imbalance (imbalance)-economic development experiences variations in the dynamics of the production*

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### **Types of economic fluctuations**

**short-term**

**medium-term**

**long-term**

- *Economic fluctuations represent deviation from steady state critical parameters of the economy (the volume of production, prices, employment, profit margins, etc.)*

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- **The economic crisis** is the significant imbalance in the economic system, often accompanied by loss and break normal links in the production and market relations, which ultimately leads to an imbalance in the functioning of the economic system as a whole.
- **Equilibrium** is the condition of the economic system, which ensured the book linking the resources and goals of economic development.

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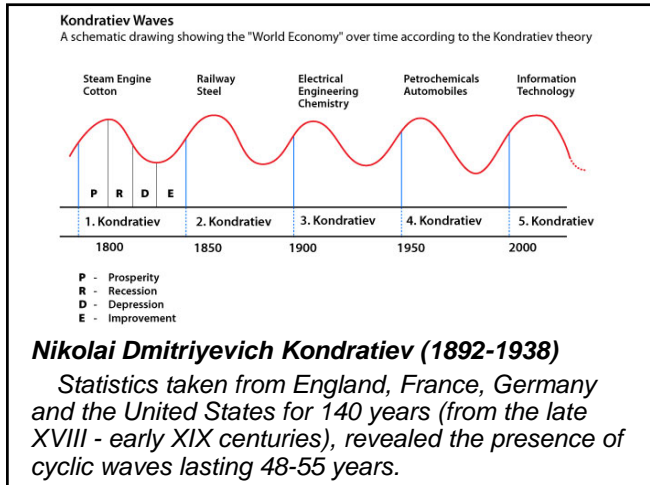
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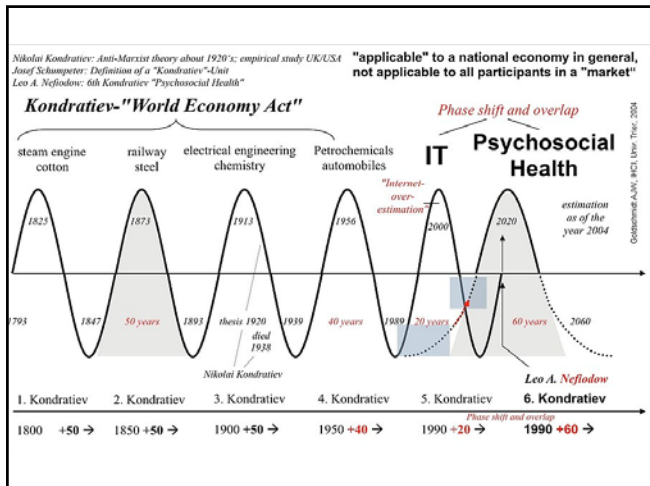
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### Counter-cyclical policies

the use of economic policy instruments to counteract fluctuations in economic conditions, smoothing the top and bottom of the turning points in the economic cycle.

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**World economy** is a global economy linking national economies into a single system of International Division of Labour.

**International Division of Labor** - specialization of individual countries in the production of certain types of products.

37

- **Integration** Unification of economic entities, deepening of their interaction, development of relations between them.

- **Transnationalization** The process of interweaving economies of different countries, thanks to the activities of corporations to acquire enterprises in other countries, the establishment of foreign affiliates working for TNCs within the framework of specialization and cooperation.

38

- **Internationalization** the development of sustainable economic relations between countries, the output of the reproductive process beyond national borders.

- **Globalization** is a process of fundamental change in national economies, as a result of which the system of international relations is becoming more homogeneous, i.e. acquiring a "global" character.

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**Globalization of the economy** is one of the regularities of the world development.

To make the positive effect of globalization available to the maximum number of countries, while mitigating the negative consequences, is one of the declared objectives of international policy.

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- **International trade** It is a form of international economic relations carried out through the export of goods and services.

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### **International Economic organization**

— an organization established on the basis of international agreements, with the purpose of unification, regulation and development of joint decisions in the sphere of international economic relations.

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### World Trade Organization (WTO)

- WTO legal framework, effective January 1st, 1995- GATT (General Agreement on Tariffs and Trade)
- The main objective of the WTO is to further liberalize trade in goods and services through improved trade rules.
- Residence – Geneva (Switzerland)
- Russia joined WTO
- From January 1st, 2013, the rules WTO started to operate in our country

43

- BRICS is a powerful association. In 2017, its members provided 50% of the world's economic growth. And now, when the accents are shifting from the west to the east, the five countries together can discover new horizons.



44

- In September 2006, the establishment of the BRICS political relations began when a meeting of the Ministers of Foreign Affairs of the four countries was held in New York during the 61 session of the United Nations.
- The first Summit of the Bric (Ekaterinburg, 16 June 2009)
- Brazil (B) - Luis Inasif Lula da Silva  
Russia (R) - Dmitry Medvedev  
India (I) - Manmohan Singh  
China (C) - Hu Jintao

45

- The third BRICS summit (Sanya, 13-14 April 2011)
- South Africa has taken place in the Group.
- Countries agree on economic interaction with the use of national currencies
- Brazil (B) - Dilma Rawsseff  
Russia (R) - Dmitry Medvedev  
India (I) - Manmohan Singh  
China (C) - Hu Jintao  
South Africa (S) - Jacob Zuma

46

- In 2017 (in Chinese Fuzhou) the development of the format "outreach" with the involvement of non-regional players-the largest countries in Asia, Africa, Latin America, many of which up to this point did not enter the sphere of influence of the presidency.
- 28 countries are invited to the dialogue in the format of BRICS + are representatives of Indonesia, Malaysia, Philippines, Cambodia, Egypt, Nigeria, Ethiopia, Kenya, Argentina, Chile, Mexico, etc. Some of these countries, due to their regional influence, economic potential, size of territory and population, are rightfully claiming to enter the Brics area of activity for a long time.



47

### **X BRICS summit (Johannesburg, 25-27 July 2018)**

*"The last years of the Brics country, their size, their economy exceeded the size of the countries of the" G7 ". This is what happened recently. A very important event, because the growth rate here is much higher, and the prospects are much greater," - said Minister of Economic Development Maxim Oreskin.*

*"Five countries coordinate their actions and express common views on general issues. We are not only members of the BRICS, we are also members of the G20. It is very important that we express a common opinion to promote mutual interests," - says Finance Minister of South Africa Nkhlanha Neni.*

The BRICS association itself opened its own bank: the authorized capital is \$5 billion. Part of the money will go to support 20 projects, 5 of which fall on Russia.

More than \$1 billion will receive Russia from the BRICS development Bank for various infrastructure projects in the country.

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### **National currency system**

is a form of organization of currency relations of the country defined by national legislation.

The national monetary system is based on the country's monetary unit.

International trade and financial relations are based on the use of national currencies

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### **Convertibility**

The degree of currency convertibility is determined by the presence or absence of currency restrictions, which act as economic, legal and organizational measures regulating transactions with national and foreign currencies.

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### **Exchange rate**

- The value of the monetary unit of one country denominated in the currency of another country.
- Exchange Rate Systems:
- A system of rigidly fixed exchange rates, which involves state intervention in their changes;
- A system of flexible (floating) exchange rates, in which the exchange rate of the national currency is determined by supply and demand.

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# TESTS

## 1. ECONOMIC THEORY

1. Economic theory:

- a) deals exclusively with predictive characteristics development of economic systems;
- b) contains provisions adopted by all economists;
- c) is not a science;
- d) is pseudoscience;
- e) cannot predict the future, but can explain the consequences certain phenomena in the development of the economy.

2. The term "economy" appeared:

- a) in ancient Egypt;
- b) in ancient Greece;
- c) in Germany in the era of the early Middle Ages;
- d) in Italy in the Renaissance;
- e) in England in the era of the formation of capitalism.

3. Factors of production are:

- a) work;
- b) land;
- c) capital;
- d) entrepreneurial ability;
- e) everything is right.

4. Choose three main economic issues:

- a) what for? why? how much?
- b) to whom? for what? at what price?
- c) in what? as? for whom?
- d) what? Where? when?
- e) there is no right answer.

5. Which school is characterized by a view on the subject of economic theory as an activity related to foreign trade and the inflow of money into the country:

- a) mercantilism;
- b) Marxism;
- c) marginalism;
- d) classical political economy;
- e) Keynesianism.

6. What school characterizes the view on the subject of economic theory as the study of the sphere of production in which wealth is created:
- a) mercantilism;
  - b) Marxism;
  - c) marginalism;
  - d) classical political economy;
  - e) Keynesianism.
7. The three main factors of production are labor, land (natural resources), capital (capital costs). Which of the following groups includes all three components:
- a) air, scientists, cars;
  - b) entrepreneurs, money, rent;
  - c) workers, machine tools, buildings;
  - d) oil, gas pipeline, jewelry;
  - e) fabric, thread, seamstress.
8. Which of the following can be considered a production process:
- a) mining operations;
  - b) transportation of radioactive waste;
  - c) speculation;
  - d) buyers search for products in short supply;
  - e) participation in exchange transactions.
9. The rarity problem can be solved if:
- a) people will be able to refuse competition in favor of cooperation;
  - b) inexhaustible sources of energy will be opened;
  - c) all countries of the world will become post-industrial societies;
  - d) all countries of the world will become commodity producers;
  - e) everything said is wrong.
10. What are the two words combines the concept of economics:
- a) the economy and the law;
  - b) law and order;
  - c) logic and method;
  - d) space and time;
  - e) there is no right answer.
11. The main problem of economic theory and practice is to resolve the contradiction between:
- a) socialism and capitalism;
  - b) the unlimited needs of people and limited resources;
  - c) the issue of money and inflation;
  - d) private property and state property;
  - e) everything is right.

12. The system of use and transformation of different resources created by people is:

- a) the monetary system;
- b) credit system;
- c) turnover;
- d) the economy;
- e) there is no right answer.

13. What are the elements of the economic process:

- a) production;
- b) distribution;
- c) in trade for;
- d) consumption;
- e) everything is right.

14. The subject of economic theory includes:

- a) organization of production;
- b) production relations;
- c) market analysis and pricing;
- d) labor organization;
- e) everything is right.

15. The process of studying and explaining the processes and phenomena of the economic life of a society is a function of economic theory:

- a) cognitive;
- b) dialectical;
- c) practical;
- d) paradigm;
- e) predictive and pragmatic.

16. The process of human influence on the substance of nature in order to create material goods and services necessary for the development of society is:

- a) production;
- b) economic analysis;
- c) economic reform;
- d) economic growth;
- e) all answers are correct.

17. Material production is reflected in the sectors:

- a) industry;
- b) agriculture;
- c) construction;
- d) utilities;
- e) all answers are correct.

18. Intangible production is reflected in the sectors:

- a) health care;
- b) education;
- c) culture;
- d) science;
- e) all answers are correct.

19. The key factor in determining the model of the economic system is:

- a) political regime;
- b) the social structure of society;
- c) environmental conditions;
- d) the prevailing form of ownership;
- e) there is no right answer.

20. The behavior of each subject of economic relations is motivated by his personal, egoistic interests in the economic system:

- a) market economy;
- b) command economy;
- c) a mixed economy;
- d) traditional economy;
- e) all answers are correct.

## **2. MICRO-ECONOMIC**

1. Factors that determine the economic choice of subjects and the impact of changes in these factors on the decisions of different people interacting through market exchange, studies....:

- a) macroeconomics;
- b) microeconomics;
- c) the world economy;
- d) mega economics;
- e) regional economy.

2. The object of microeconomic analysis is not:

- a) firm;
- b) industry;
- c) gross national product;
- d) household;
- e) a separate market.

3. The independent economic entity created for conducting economic activity which is carried out for the purpose of profit or satisfaction of public needs is:

- a) the enterprise;
- b) Department;
- c) the state;
- d) the Ministry;

e) Treasury.

4. The features that determine the legal entity include:

- a) isolation of property;
- b) liability for obligations by property;
- c) the presence of a Bank account;
- d) acting on its own behalf;
- e) all answers are correct.

5. Limited liability of the founders is possible in ...

- a) a limited liability company;
- b) a General partnership;
- c) a limited partnership;
- d) a production cooperative;
- e) a limited partnership.

6. Which of the activities related to financial entrepreneurship:

- a) the purchase and sale of money, currency, securities;
- b) the connection of the interests of interested parties to the mutual transaction;
- c) reimbursement of insurance amounts in the event of a contractual event;
- d) the production of goods, information and other services;
- e) operations for the resale of goods and services.

7. Which of the activities related to the intermediary business:

- a) the purchase and sale of money, currency, securities;
- b) the connection of the interests of interested parties to the mutual transaction;
- c) reimbursement of insurance amounts in the event of a contractual event;
- d) the production of goods, information and other services;
- e) operations for the resale of goods and services.

8. Which of the activities related to the insurance business:

- a) purchase and sale of money, currency, securities;
- b) compound the interests of interested parties to the mutual transaction;
- c) reimbursement of insurance amounts in the event of a contractual event;
- d) production of goods, information and other services;
- e) operations for the resale of goods and services.

9. Which of the activities related to industrial entrepreneurship:

- a) the purchase and sale of money, currency, securities;
- b) the connection of the interests of interested parties in a mutual transaction
- c) reimbursement of insurance amounts in case of occurrence of the event stipulated by the contract;
- d) production of goods, information and other services;
- e) operations for resale of goods and services.

10. Insurance is a profitable activity, as:

- a) prevents the risk;
- b) combines the risk of a large number of customers;
- c) the total premiums on the insurance poles exceed the losses of customers;
- d) the number of customers is always more than the likely amount of losses;
- e) the insurance premium of each customer exceeds the expected losses.

11. The initial form of ownership, legal fixation of the subject of ownership is a relationship:

- a) ownership;
- b) use;
- c) disposal;
- d) responsibility;
- e) all answers are correct.

12. The use of the property in accordance with its purpose and at the discretion of the user is a relationship:

- a) ownership;
- b) use;
- c) disposal;
- d) responsibility;
- e) all answers are correct.

13. The most comprehensive way to implement the relationship between the subjects and objects of property is:

- a) ownership;
- b) use;
- c) disposal;
- d) responsibility;
- e) all answers are correct.

14. The indicators characterizing the business activity of the enterprise do not include:

- a) the total capital turnover ratio;
- b) the duration of capital turnover;
- c) the turnover ratio of own funds;
- d) return on sales;
- e) the turnover ratio of accounts payable.

15. Means of labor, which are intended for the needs of the main activities of the organization and have a period of more than a year:

- a) own assets;
- b) working capital;
- c) borrowed funds;
- d) fixed assets;
- e) inventories.

16. Partial or complete loss of the main means of their consumer properties and value - is:

- a) load;
- b) load;
- c) use;
- d) wear;
- e) aging.

17. Moral wear and tear may be the result of:

- a) cheaper production machines;
- b) scientific and technological progress;
- c) the creation of new productive machines;
- d) there is no right answer;
- e) all the answers are correct.

18. The process of gradual transfer of the value of fixed assets as depreciation on manufactured products is called:

- a) diversification;
- b) commercialization;
- c) depreciation;
- d) democratization;
- e) denationalization.

19. The totality of income and revenues at the disposal of the business entity is called:

- a) current assets;
- b) circulation funds;
- c) monetary obligations;
- d) financial resources;
- e) accounts payable.

20. Income of legal entities are formed from:

- a) profit from the main activity;
- b) indirect profit (from investment activity);
- c) depreciation charges;
- d) there is no right answer;
- e) all answers are correct.



### **3. MACRO-ECONOMIC**

1. The operation of the economic system as a whole, the problems of economic growth and employment studies:

- a) microeconomics;
- b) business Economics;
- c) Finance and credit;
- d) macroeconomics;
- e) Economics and sociology of work.

2. The possibilities and work of the economic mechanism, the functions of the state and economic policy studies:

- a) microeconomics;
- b) business Economics;
- c) Finance and credit;
- d) macroeconomics;
- e) Economics and sociology of work.

3. The market value of all final goods and services produced in the country during the year, regardless of whether there are factors of production of the residents of the country or owned by foreigners-is:

- a) gross domestic product;
- b) gross national product;
- c) the GDP deflator;
- d) net national product;
- e) national income.

4. The market value of all final goods and services produced in the country during the year by factors of production owned by citizens of the country (residents), including in other countries-is:

- a) gross domestic product;
- b) gross national product;
- c) the GDP deflator;
- d) net national product;
- e) national income.

5. The ratio of nominal GDP to real GDP expressed as a percentage is:

- a) gross domestic product;
- b) gross national product;
- c) the GDP deflator;
- d) net national product;
- e) national income.

6. A multifactorial phenomenon that manifests itself in the growth of the General level of prices and in the impairment of banknotes in relation to real assets

- a) inflation;
- b) standardization;
- c) stagnation;
- d) commercialization;
- e) concentration.

7. Inflation can be:

- a) moderate;
- b) galloping;
- c) true;
- d) imaginary;
- e) all answers are correct.

8. Inflation, at which price growth is 10% or less:

- a) moderate;
- b) galloping;
- c) hyperinflation;
- d) imaginary;
- e) exported.

9. The longest cycles are called cycles:

- a) Kitchen;
- b) Toffler;
- c) Juglar;
- d) Kondratyev;
- e) Forrester.

10. The advantage of the extensive type of economic growth is:

- a) creation of conditions for conditional employment;
- b) increasing the knowledge intensity of production;
- c) exhaustion of natural resources;
- d) increasing the cost of production;
- e) increase of loan interest.

11. The phase of the industrial cycle, characterized by overproduction of goods increase in interest, bankruptcy, is called:

- a) revitalization;
- b) depression;
- c) rise;
- d) crisis;
- e) recession.

12. The direct driver of economic growth is change ..

- a) level of taxation;
- b) number of economically active population;
- c) prices of productive resources;
- d) the level of monopolization of industry markets;
- e) the price of raw materials.

13. The costs arising in connection with the performance of the state's functions form a total of:

- a) budget expenditure;
- b) budget revenues;
- c) salary;
- d) depreciation;
- e) rent.

14. The costs expressing economic relations on the basis of which there is a process of use of the centralized Fund of money of the state in various directions are:

- a) budget expenditure;
- b) budget revenues;
- c) salary;
- d) depreciation;
- e) rent.

15. The increase in real wages in the company of the reduction of nominal wages says about (about) ...

- a) raising the overall level of prices of goods and services;
- b) successful transition from a planned to a market economy;
- c) lowering the overall level of prices for goods and services;
- d) decline in the welfare of citizens;
- e) improving the welfare of citizens.

16. Indicate what is the method of indirect state regulation of the economy:

- a) adoption of legislation;
- b) financing of depressed regions;
- c) establishment of minimum wage standards;
- d) adoption of draft laws;
- e) implementation of customs policy by the state.

17. What banks perform the function of the organization of issue and placement on the market of shares and bonds of industrial and trading companies:

- a) mortgages;
- b) innovative
- c) investment;
- d) savings;
- e) distribution.

18. The direct method of state regulation of the economy is:

- a) exchange rate regulation;
- b) system of state orders;
- c) tax system;
- g) of the customs tariff regulation;
- e) financing of depressed regions.

19. Reducing the share of the public sector in order to reduce the degree of monopolization of the economy, the creation of a competitive environment, the formation of a variety of forms of ownership is called:

- a) privatization;
- b) de-monopolization;
- c) denationalization;
- d) diversification;
- e) nationalizations.

20. The method of indirect state regulation of the economy is ...

- a) exchange rate regulation;
- b) system of state orders;
- c) adoption of legislative acts;
- d) financing of depressed regions;
- e) establishment of minimum wage standards.

# Basic Economic Terms

## A

**acquisition** – takeover of a firm by purchase of that firm's common stock or assets.

**ad valorem tariff** – a tariff expressed as a fixed percentage of the value of the imported product.

**additional paid-in capital** – difference between issue price and par value of stock; also called *capital surplus*.

**adjustable pegged exchange rates** – a system of semifixed exchange rates where it is understood that the par value of the currency will be changed occasionally in response to changing economic conditions.

**adjustment mechanism** – a mechanism that works to return a balance of payments to equilibrium after the initial equilibrium has been disrupted; the process takes two different forms – automatic (economic processes) and discretionary (government policies).

**advanced nations** include those of North America and Western Europe, plus Australia, New Zealand, and Japan.

**agglomeration economies** – a rich country specializes in manufacturing niches and gains productivity through groups of firms clustered together, some producing the same product and others connected by vertical linkages.

**annual percentage rate (APR)** – interest rate that is annualized using simple interest.

**annuity** – equally spaced level stream of cash flows.

**antidumping duty** – a duty levied against commodities a home nation believes are being dumped into its markets from abroad.

**autarky** – a case of national self-sufficiency or absence of trade.

**authorized share capital** – maximum number of shares that the company is permitted to issue, as specified in the firm's articles of incorporation.

**automatic adjustment** (of the balance-of-payments process) – a mechanism that works to return a balance of payments to equilibrium automatically through the adjustments in economic variables.

**average tax rate** – total taxes owed divided by total income.

## B

**balance of international indebtedness** – a statement that summarizes a country's stock of assets and liabilities against the rest of the world at a fixed point in time.

**balance of payments** – a record of the flow of economic transactions between the residents of one country and the rest of the world.

**bankruptcy** – the reorganization or liquidation of a firm that cannot pay its debts.

**basis for trade** – why nations export and import certain products.

**brain drain** – emigration of highly educated and skilled people from developing nations to industrial nations.

**business services** in many cases, nonstorable or intangible products, such as tourism, consulting, banking, construction, and freight transportation.

## C

**call option** gives the holder the right to *buy* foreign currency at a specified price.

**capital and financial account** – the net result of both private-sector and official capital and financial transactions.

**capital controls government-imposed barriers** to foreign savers investing in domestic assets or to domestic savers investing in foreign assets; also known as *exchange controls*.

**capital/labor ratio** – a country's ratio of capital inputs to labor inputs.

**cartel** – a group of firms or nations that attempts to support prices higher than would exist under more competitive conditions.

**clean float** – when free-market forces of supply and demand are allowed to determine the exchange value of a currency.

**commodity terms** of trade measures the relationship between the prices a nation gets for its exports and the prices it pays for its imports.

**common market** – a group of trading nations that permits the free movement of goods and services among member nations, the initiation of common external trade restrictions against nonmembers, and the free movement of factors of production across national borders within the economic bloc.

**community indifference curve** – the indifference curve that represents the tastes and preferences of all households of a nation.

**comparative advantage** – ability to produce a good or service at a lower opportunity cost than others can produce it.

**complete specialization** – a situation in which a country produces only one good.

**constant opportunity costs** – a constant rate of sacrifice of one good for another as a nation slides along its production possibilities schedule.

**consumer surplus** – the difference between the amount that buyers would be willing and able to pay for a good and the actual amount they do pay.

**consumption effect** – a trade restriction's loss of welfare that occurs because of increased prices and lower consumption.

**consumption gains** – posttrade consumption points outside a nation's production possibilities schedule

**corporation** – business owned by stockholders who are not personally liable for the business's liabilities.

**cost-based definition** – a method of calculating the fair market value of a product in dumping cases; the U.S. Commerce Department "constructs" fair market value equal to the sum of (1) the cost of manufacturing the merchandise, (2) general expenses, (3) profit on home-market sales, and (4) the cost of packaging the merchandise for shipment to the United States.

**cost-insurance-freight (CIF)** – valuation when ad valorem tariffs are levied as a percentage of the imported commodity's total value as it arrives at its final destination.

**countertrade** – international trade in which goods are exchanged for goods.

**credit risk** – the probability that part or all of the interest or principal of a loan will not be repaid.

**credit transaction** – a balance of payments transaction that results in a *receipt* of a payment from foreigners.

**cross exchange rate** – the resulting rate derived when the exchange rate between any two currencies can be derived from the rates of these two currencies in terms of a third currency.

**currency board** – a monetary authority that issues notes and coins convertible into a foreign anchor currency at a fixed exchange rate.

**currency crashes** – financial crises that often end in currency devaluations or accelerated depreciations currency crisis a situation in which a weak currency experiences heavy selling pressure, also called a *speculative attack*.

**current account** – the net value of monetary flows associated with transactions in goods and services, investment income, employee compensation, and unilateral transfers.

**customs union** – an agreement among two or more trading partners to remove all tariff and non-tariff trade barriers among themselves; each member nation imposes identical trade restrictions against nonparticipants.

## D

**demand-pull inflation** – when a nation's capacity to produce has been achieved, and further increases in aggregate demand-pull prices upward.

**demonetization of gold** occurred in the 1970s when the official price of gold was abolished as the unit of account for the international monetary system.

**devaluation** – an official change in a currency's par value, which causes the currency's exchange value to depreciate.

**developing nations** – most nations in Africa, Asia, Latin America, and the Middle East.

**direct controls** consist of government restrictions on the market economy.

**direct foreign investment** – when residents of one country acquire a controlling interest in a business enterprise in another country.

**dividend** – periodic cash distribution from the firm to its shareholders.

**dumping** – when foreign buyers are charged lower prices than domestic buyers for an identical product, after allowing for transportation costs and tariff duties.

**dynamic effects of economic integration** – effects that relate to member nations' long-run rates of growth, which include economies of scale, greater competition, and investment stimulus.

**dynamic gains from international trade** – the effect of trade on the country's growth rate and thus on the volume of additional resources made available to, or utilized by, the trading country.

## E

**economic integration** – a process of eliminating restrictions on international trade, payments, and factor mobility.

**economic interdependence** – all aspects of a nation's economy are linked to the economies of its trading partners.

**economic order quantity** – order size that minimizes total inventory costs.

**economic sanctions** – government-mandated limitations placed on customary trade or financial relations among nations.

**economic union** – where national, social, taxation, and fiscal policies are harmonized and administered by a supranational institution.

**economic value added (EVA)** – term used by the consulting firm Stern Stewart for profit remaining after deduction of the cost of the capital employed.

**environmental regulation** – regulations imposed on the production process to limit environmental impact.

**euro** – the official currency of the European Monetary Union.

**eurobond** – bond that is marketed internationally.

**eurodollars** – dollars held on deposit in a bank outside the United States.

**exchange rate** – the price of one currency in terms of another.

**export controls** – enacted to stabilize export revenues, these measures offset a decrease in the market demand for the primary commodity by assigning cutbacks in the market supply.

**export quotas** – limitations on export sales administered by one or more exporting nations or industries.

## F

**fiscal policy** refers to changes in government spending and taxes.

**fixed costs** – costs that do not depend on the level of output.

**fixed exchange rates** – a system used primarily by small developing nations whose currencies are anchored to a key currency, such as the U.S. dollar.

**financial intermediary** – firm that raises money from many small investors and provides financing to businesses or other organizations by investing in their securities.

**financial leverage** – debt financing amplifies the effects of changes in operating income on the returns to stockholders.

**financial markets** – markets in which financial assets are traded.

**floating exchange rates** when a nation allows its currency to fluctuate according to the free-market forces of supply and demand.

**foreign direct investment** – foreign acquisition of a controlling interest in an overseas company or facility.

**foreign-exchange market** – the organizational setting within which individuals, businesses, governments, and banks buy and sell foreign currencies and other debt instruments.

**foreign-trade zone (FTZ)** – special zones that enlarge the benefits of a bonded warehouse by eliminating the restrictive aspects of customs surveillance and by offering more suitable

manufacturing facilities; FTZs are intended to stimulate international trade, attract industry, and create jobs by providing an area that gives users tariff and tax breaks.

**forward contract** – agreement to buy or sell an asset in the future at an agreed price.

**forward market** – where foreign exchange can be traded for future delivery.

**forward rate** – the rate of exchange used in the settlement of forward transactions.

**forward transaction** an outright purchase and sale of foreign currency at a fixed exchange rate but with payment or delivery of the foreign currency at a future date.

**free trade** – a system of open markets between countries in which nations concentrate their production on goods they can make most cheaply, with all the consequent benefits of the division of labor.

**free-trade area** – an association of trading nations whose members agree to remove all tariff and nontariff barriers among themselves.

**fundamental analysis** – the opposite of technical analysis; involves consideration of economic variables that are likely to affect a currency's value.

**futures market** – a market in which contracting parties agree to future exchanges of currencies and set applicable exchange rates in advance; distinguished from the forward market in that only a limited number of leading currencies are traded; trading takes place in standardized contract amounts and in a specific geographic location.

## G

**general cash offer** – sale of securities open to all investors by an already-public company.

**globalization** – the process of greater interdependence among countries and their citizens.

**gold exchange standard** – a system of fixed exchange rates, with gold serving as the primary reserve asset; member nations officially agreed to state the par values of their currencies in terms of gold or, alternatively, the gold content of the U.S. dollar.

**gold standard** – a monetary system in which each member nation's money supply consisted of gold or paper money backed by gold, where each member nation defined the official price of gold in terms of its national currency and was prepared to buy and sell gold at that price; free import and export of gold was permitted by member nations.

**goods and services balance** – the result of combining the balance of trade in services and the merchandise trade balance.

**guest workers** – foreign workers, when needed, allowed to immigrate on a temporary basis.

## H

**hedging** – the process of avoiding or covering a foreign exchange risk.

**home market** – effect countries will specialize in products for which there is large domestic demand.

**horizontal integration**, in the case of a multinational enterprise, occurs when a parent company producing a commodity in the source country sets up a subsidiary to produce the identical product in the host country.

## I

**import license** used to administer an import quota; a license specifying the volume of imports allowed.

**import quota** – a physical restriction on the quantity of goods that may be imported during a specific time period.

**import substitution** – a policy that involves extensive use of trade barriers to protect domestic industries from import competition.

**income determination** – a theory developed by John Maynard Keynes in the 1930s; asserted that under a system of fixed exchange rates, the influence of income changes in surplus and deficit nations will help restore payments equilibrium *automatically*.

**increasing opportunity costs** – when each additional unit of one good produced requires the sacrifice of increasing amounts of the other good.



**increasing returns to scale** – when increasing all inputs by the same proportion results in a total output to increase by a greater proportion.

**indifference curve** – a curve depicting the various combinations of two commodities that are equally preferred in the eyes of the consumer.

**industrial policy** – government policy that is actively involved in creating comparative advantage.

**intellectual property rights (IPRs)** – the exclusive rights to use an invention, idea, product, or process for a given time awarded to the inventor (or author) through registration with the government of that invention, idea, product, or process.

**interindustry specialization** – when each nation specializes in a particular industry in which it enjoys a comparative advantage.

**interindustry trade** – the exchange between nations of products of different industries.

**internal balance** – the goal of economic stability at full employment.

**internal growth rate** – maximum rate of growth without external financing.

**internal rate of return (IRR)** – discount rate at which project Net Present Value = 0.

## J

**judgmental forecasts** – subjective or common-sense exchange-rate forecasts based on economic, political, and other data for a country.

## K

**key currency** – a currency that is widely traded on world money markets, has demonstrated relatively stable values over time, and has been widely accepted as a means of international settlement.

## L

**labor mobility** – a measure of how labor migration responds to wage differentials.

**labor theory of value** – the cost or price of a good depends exclusively upon the amount of labor required to produce it.

**law of comparative advantage** – when each nation specializes in the production of that good in which it has a relative advantage, the total output of each good increases; thus, all countries can realize welfare gains.

**liquidation value** – net proceeds that would be realized by selling the firm's assets and paying off its creditors.

**liquidity** – ability of an asset to be converted to cash quickly at low cost.

**liquidity problem** – when a government or central bank runs short of needed international reserves.

**lock-box system** – system whereby customers send payments to a post office box and a local bank collects and processes checks.

**long position** – the position speculators take when they purchase foreign currency on the spot or forward market with the anticipation of selling it at a higher future spot price.

## M

**margin of dumping** – the amount by which the domestic price of a firm's product exceeds its foreign price, or the amount by which the foreign price of a firm's product is less than the cost of producing it.

**marginal rate of transformation (MRT)** – the slope of the production possibilities schedule that shows the amount of one product a nation must sacrifice to get one additional unit of the other product.

**market economy** – where the commercial decisions of independent buyers and sellers acting in their own interest govern both domestic and international trade.

**market expectations** – examples include news about future market fundamentals and traders' opinions about future exchange rates.

**market fundamentals** – economic variables such as productivity, inflation rates, real interest rates, consumer preferences, and government trade policy.

**market index** – measure of the investment performance of the overall market.

**market risk** – economywide (macroeconomic) sources of risk that affect the overall stock market; also called *systematic risk*.

**market risk premium** – risk premium of market portfolio, difference between market return and return on risk-free Treasury bills.

**mercantilist** – an advocate or practitioner of mercantilism; a national economic system in which a nation could regulate its domestic and international affairs so as to promote its own interests through a strong foreign-trade sector.

**merchandise trade balance** – the result of combining the dollar value of merchandise exports recorded as a plus (credit) and the dollar value of merchandise imports recorded as a minus (debit).

**migration** – moving from one country to settle in another.

**monetary approach** – an approach to currency depreciation that stresses the effects depreciation has on the purchasing power of money and the resulting impact on domestic expenditure levels.

**monetary policy** – refers to changes in the money supply by a nation's central bank.

## N

**net working capital** – current assets minus current liabilities.

**nominal exchange rate** – exchange-rate quotes published in newspapers that are not adjusted inflation rates in trading partners.

**nominal exchange-rate** – index the average value of a currency, not adjusted for changes in price levels of that country and its trading partners.

**nominal interest rate** – the rate of return on assets that can be earned in a particular country, not adjusted for the rate of inflation.

**nominal tariff rate** – the tariff rate published in a country's tariff schedule.

**nonmarket economy** – where state planning and control govern foreign and sometimes domestic trade.

**nontariff trade barriers (NTBs)** – policies other than tariffs that restrict international trade.

**no-trade boundary** – the terms-of-trade limit at which a country will cease to export a good.

## O

**offer rate** – the price at which the bank is willing to sell a unit of foreign currency.

**official exchange rate** – the exchange rate determined by comparing the par values of two currencies.

**openness** – the ratio of a nation's exports and imports.

**opportunity cost** – benefit or cash flow forgone as a result of an action.

**option** – an agreement between a holder (buyer) and a writer (seller) that gives the holder the right, but not the obligation, to buy or sell financial instruments at any time through a specified date.

**orderly marketing agreement** – a market-sharing pact negotiated by trading partners outer limits for the equilibrium terms of trade defined by the domestic cost ratios of trading nations.

**overall balance** – when an economy attains internal balance and external balance.

**over-the-counter (OTC)** – shares traded off an organized exchange; also used to refer to the Nasdaq market.

## P

**par value** – a central value in terms of a key currency that governments participating in a fixed exchange rate system set their currencies.

**partial specialization** – when a country specializes only partially in the production of the good in which it has a comparative advantage.

**partnership** – business owned by two or more persons who are personally responsible for all its liabilities.

**payback period** – time until cash flows recover the initial investment of the project.

**primary products** – agricultural goods, raw materials, and fuels.

**producer surplus** – the revenue producers receive over and above the minimum amount required to induce them to supply the good.

**product life cycle theory** – many manufactured goods undergo a predictable *trade cycle*; during this cycle, the home country initially is an exporter, then loses its competitive advantage vis-a-vis its trading partners, and eventually may become an importer of the commodity.

**production controls** – artificial curtailments in the production of a commodity.

**production gains** – increases in production resulting from specialization in the product of comparative advantage.

**production possibilities schedule** – a schedule that shows various alternative combinations of two goods that a nation can produce when *all* of its factor inputs are used in their most efficient manner.

**production sharing** – when certain aspects of a product's manufacture are performed in more than one country.

**profitability index** – ratio of net present value to initial investment.

**protective effect** – a tariff's loss to the domestic economy resulting from wasted resources when less efficient domestic production is substituted for more efficient foreign production.

**protective tariff** – a tariff designed to insulate import-competing producers from foreign competition.

**purchasing-power-parity theory** – a method of determining the equilibrium exchange rate by means of the price levels and their variations in different nations.

**put option** gives the holder the right to *sell* foreign currency at a specified price.

## Q

**quantity theory of money** states that increases in the money supply lead directly to an increase in overall prices, and a shrinking money supply causes overall prices to fall.

## R

**random walk theory** – security prices change randomly, with no predictable trends or patterns.

**rate of return** – total income per period per dollar invested.

**real exchange rate** – the nominal exchange rate adjusted for changes in relative price levels  
real exchange-rate index the average value of a currency based on real exchange rates.

**real interest rate** – the nominal interest rate minus the inflation rate.

**redistributive effect** – with a tariff, the transfer of consumer surplus, in monetary terms, to the domestic producers of the import-competing product.

**region of mutually beneficial trade** – the area that is bounded by the cost ratios of the two trading countries.

**regional trading arrangement** – where member nations agree to impose lower barriers to trade within the group than to trade with nonmember nations.

**relative purchasing power parity** – a method of determining exchange rates that states that changes in relative national price levels determine changes in exchange rates over the long run.

**revaluation** – an official change in a currency's par value, which causes the currency's exchange value to appreciate.

**real options** – options embedded in real assets.

**real value of \$1** – purchasing power-adjusted value of a dollar.

**reorganization** – restructuring of financial claims on failing firm to allow it to keep operating.

**revenue effect** represents the government's collections of tariff revenue; found by multiplying the number of imports times the tariff.

**revenue tariff** – a tariff imposed for the purpose of generating tax revenues and may be placed on either exports or imports.

## S

**secondary market** – market in which already issued securities are traded among investors.

**sensitivity analysis** – analysis of the effects of changes in sales, costs, and so on, on project profitability.

**short position** – the position speculators take when they borrow or sell forward a foreign currency with the anticipation of purchasing it at a future lower price to repay the foreign-exchange loan or fulfill the forward sale contract.

**shortage costs** – costs incurred from shortages in current assets.

**social regulation** – governmental attempts to correct a variety of undesirable side effects in an economy that relate to health, safety, and the environment.

**sole proprietor** – sole owner of a business which has no partners and no shareholders, the proprietor is personally liable for all the firm's obligations.

**special drawing right (SDR)** – an artificial currency unit based on a basket of four currencies established by the IMF.

**specific tariff** – a tariff expressed in terms of a fixed amount of money per unit of the imported product.

**specific-factors theory** considers the income-distribution effects of trade when factor inputs are immobile among industries in the short run.

**speculation** – the attempt to profit by trading on expectations about prices in the future.

**statement of cash flows** – financial statement that shows the firm's cash receipts and cash payments over a period of time.

**static effects of economic integration** include the trade-creation effect and the trade-diversion effect.

**statistical discrepancy** – a correcting entry inserted into the balance-of-payments statement to make the sum of the credits and debits equal.

**stock dividend** – distribution of additional shares to a firm's stockholders.

**stock repurchase** – firm buys back stock from its shareholders.

**stock split** – issue of additional shares to firm's stockholders.

**strategic trade policy** – the policy that government can assist domestic companies in capturing economic profits from foreign competitors.

**strike price** – the price at which an option can be exercised.

**subsidies** granted by governments to domestic producers to improve their trade competitiveness; include outright cash disbursements, tax concessions, insurance arrangements, and loans at below-market interest rates.

**supply of international reserves** includes owned reserves, such as key currencies and special drawing rights, and borrowed reserves, which can come from the IMF and other official arrangements or can be obtained from major commercial banks.

**swap** – arrangement by two counterparties to exchange one stream of cash flows for another.

**swap arrangements** – bilateral agreements between central banks where each government provides for an exchange, or swap, of currencies to help finance temporary payments disequilibrium.

## T

**tariff** – a tax levied on a product when it crosses national boundaries.

**technical analysis** – a method of exchange-rate forecasting that involves the use of historical exchange-rate data to estimate future values.

**technology transfer** – the transfer to other nations of knowledge and skills applied to how goods are produced.

**terms of sale** – credit, discount, and payment terms offered on a sale.

**terms of trade** – the relative prices at which two products are traded in the marketplace.

**terms-of-trade effect** – the tariff revenue extracted from foreign producers in the form of a lower supply price.

**theory of overlapping demands** – nations with similar per capita incomes will have overlapping demand structures and will likely consume similar types of manufactured goods; wealthy nations will likely trade with other wealthy nations, and poor nations will likely trade with other poor nations.

**theory of reciprocal demand** – relative demand conditions determine what the actual terms of trade will be within the outer limits of the terms of trade.

**trade adjustment** – assistance government assistance granted to domestic workers displaced by increased imports.

**trade balance** derived by computing the net exports (imports) in the merchandise accounts; also called *merchandise trade balance*.

**trade remedy laws** – laws designed to produce a fair trading environment for all parties engaging in international business; these laws include the escape clause, countervailing duties, antidumping duties, and unfair trading practices.

**trading possibilities line** – a line in a production possibilities diagram representing the equilibrium terms-of-trade ratio.

**transfer pricing** – a technique where a multinational enterprise reports most of its profits in a low-tax country, even though the profits are earned in a high-tax country.

**transition economies** – national economies making the transition from a centrally planned economy to a market economy.

## U

**underpricing** – issuing securities at an offering price set below the true value of the security.

**underwriter** – firm that buys an issue of securities from a company and resells it to the public.

**unilateral transfers** include transfers of goods and services (gifts in kind) or financial assets (money gifts) between the United States and the rest of the world.

**unique risk** – risk factors affecting only that firm; also called *diversifiable risk*.

## V

**variable costs** – costs that change as the level of output changes.

**variable levies** – an import tariff that increases or decreases as domestic or world prices change to guarantee that the price of the imported product after payment of duty will equal a predetermined price.

**venture capital** – money invested to finance a new firm.

**vertical integration** in the case of a multinational enterprise, occurs when the parent multinational enterprise decides to establish foreign subsidiaries to produce intermediate goods or inputs that go into the production of the finished good.

**voluntary export restraints** (VER) – voluntary quotas applied to exports; sometimes supplemented by backup import controls to ensure that the restraints are effective.

## W

**wage insurance** – after finding new jobs, a temporary government subsidy of wages granted to domestic workers displaced by foreign trade and increased imports.

**wage and price controls** – intervention by the government to set price and wage levels.

**warrant** – right to buy shares from a company at a stipulated price before a set date.

**weighted-average cost of capital** (WACC) – expected rate of return on a portfolio of all the firm's securities, adjusted for tax savings due to interest payments.

## Y

**yield curve** – graph of the relationship between time to maturity and yield to maturity.

**yield to maturity** – interest rate for which the present value of the bond's payments equals the price.

## Z

**zero-balance account** – regional bank account to which just enough funds are transferred daily to pay each day's bills.

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## CONTENS

Preface .....	4
Introduction .....	6
1. Introduction to Economic Theory .....	11
2. Need and Demand as Economic Categories .....	25
3. Fundamentals of Market Economy .....	37
4. Origin, Nature and Function of Money .....	51
5. The Place and Role of Competition in a Market System .....	64
6. Enterprise in Market Economy.....	77
7. Company Income and Expenses.....	86
8. Macro-Economic Phenomena and Processes .....	97
Tests .....	114
Basic Economic Terms .....	125
Sources.....	134