ECONOMICS: THE BIG PICTURE

MICRO
CLASSICAL

Individual decision making
Rationality and the Theory of firm: optimal decisions under constraints (consumers, firms)
Terms: preferences, utility function, budget constraint, production function, inputs, outputs.

The market and market power: consumers meet firms
Perfect competition: many consumers / many firms
Monopoly: many consumers / one firm
Monopsony: one consumer / many firms
Terms: individual / aggregate demand / supply, market equilibrium, price-taking behavior, price-"setting" behavior.

Economy as the collection of markets
General Equilibrium theory: all markets are in equilibrium at the same time.
Terms: supply = demand.

Welfare economics: what is good?
Efficiency criteria (egalitarian – max min utility, utilitarian – max aggr. utility, Pareto)

Comparative statics:
What happens to the welfare when something changes (tastes, natural conditions)?
Governmental regulation (taxes, social planner versus free markets)
Market failures (pollution, public goods)
Terms: substitute/ complement goods, economic surplus, dead weight loss, externalities.

MODERN
Game theory
Optimal decisions in strategic situations (markets in between - oligopoly: many consumers – few firms).
Terms: oligopoly (duopoly), Nash equilibrium.

Contract theory
Principal-agent problems with hidden information (employer-employee, insurer – insured, lender – borrower)

Mechanism design
Designing optimal auctions, making existent markets efficient, inventing rules for emerging markets.

Economics meets psychology, sociology, neuroscience

MACRO
CLASSICAL
Studies countries, economic aggregates and how they are influencing each other.

Growth theory
Models of how GDP (Gross Domestic Product) is changing depending on economic aggregates (inflation, unemployment, interest rate, technology)

Monetary policy
The models of how growth depends on interest rate, inflation. How should central bank choose them?

Fiscal policy
Models of how growth depends on tax burden. How should government set it?

International Trade
How does the welfare / rate of growth change when we open borders for trade?

MODERN (MICROFOUNDATIONS)

Trying to connect Micro and Macro by devising micro-models, which would generate macro results.

ECONOMETRICS
Statistical methods applied to economic data.
Development of special methods inside statistics to deal specifically with economic problems.

On Micro-level
Methods of analyzing data on individual firms, consumer choices.

On Macro-level
Methods of analyzing data on GDP, inflation unemployment etc. for various countries.

APPLIED ECONOMICS
Applies all the above theory to check if it fits the reality using econometrics. Gives feedback to develop new theory.

Industrial organization
Models of particular (real) markets and market structures. Models of organization of the firm (managers, labor unions etc.)

Applied Macro
Fitting macro-models to country data through econometrics.

Experimental economics
Running experiments on undergraduates in order to check the validity of game theoretic models.