

Introduction to Economics

Code: 102341
ECTS Credits: 6

Degree	Type	Year	Semester
2501572 Business Administration and Management	FB	1	1
2501573 Economics	FB	1	1

Contact

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Use of languages

Principal working language: catalan (cat)
Some groups entirely in English: Yes
Some groups entirely in Catalan: Yes
Some groups entirely in Spanish: Yes

External teachers

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Prerequisites

To make a good track of this course it is recommended that students have a minimum knowledge of basic mathematics (functions in one variable and its representation, differentiation, and systems of equations). The previous mathematical tools will prove very convenient in order to resolve problem sets and other related exercises.

Objectives and Contextualisation

The course introduces the basic concepts and methodology that we use in modern economic analysis. These tools will help us to begin the study of a wide range of phenomena which are interesting from the standpoint of economics. The course material is structured in a first part of Microeconomics and in a second part of Macroeconomics. The Microeconomics part introduces key concepts such as "opportunity cost", "efficiency", "market" and "production function", and studies various aspects of decision making by firms and their behavior in different market arrangements. The Macroeconomics part presents some basic concepts related to the National Accounting, and various economic aggregates. It also introduces the temporal dimension in decision making, and studies the predictions of some simple models with respect to economic activity at the aggregate level. The course also introduces some policy instruments, such as taxes and subsidies, and discusses basic aspects regarding fiscal policy and monetary policy. The ultimate goal of course is, therefore, to offer a broad perspective of economic issues and methods to successfully face the prospect of economic studies. Specifically, the objectives that are intended to be achieved are:

1. Introduction of basics concepts of microeconomics.
2. Understand the concepts of market, law of supply and demand, classification of goods, and various forms of elasticity.
3. Taxation and its effects. Loss of efficiency (deadweight loss).
4. Different types of markets depending on the degree of competition.
5. Main aggregate economic magnitudes.

6. Savings and investment decisions.
7. Aggregate demand and aggregate supply.
8. Brief introduction to monetary policy and fiscal policy.

Skills

Business Administration and Management

- Apply mathematical instruments to synthesise complex economic-business situations.
- Capacity for oral and written communication in Catalan, Spanish and English, which enables synthesis and oral and written presentation of the work carried out.
- Identify the economic agents that make up an economy, understanding how they have been interrelated to date, how they are currently interrelated and forecast futures according to new circumstances and their influence on a specific company.
- Identify the forces that govern demand and supply.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Show motivation for carrying out quality work and sensitivity to the consequences for the environment and society.
- Work well in a team, being able to argue proposals and validate or reject the arguments of others in a reasoned manner.

Economics

- Apply mathematical instruments to synthesise complex economic-business situations.
- Capacity for independent learning in the future, gaining more profound knowledge of previous areas or learning new topics.
- Demonstrate initiative and work individually when the situation requires it.
- Identify the economic agents that make up an economy, understanding how they have been interrelated to date, how they are currently interrelated and forecast futures according to new circumstances and their influence on a specific company.
- Identify the forces that govern demand and supply.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Show motivation for carrying out quality work and sensitivity to the consequences for the environment and society.
- Value ethical commitment in professional practice.
- Work well in a team, being able to argue proposals and validate or reject the arguments of others in a reasoned manner.

Learning outcomes

1. A capacity of oral and written communication in Catalan, Spanish and English, which allows them to summarise and present the work conducted both orally and in writing.
2. Analyse the growth factors of an economy.
3. Assess ethical commitment in professional activity.
4. Calculate short-term macroeconomic equilibrium.
5. Capacity to continue future learning independently, acquiring further knowledge and exploring new areas of knowledge.
6. Demonstrate initiative and work independently when required.
7. Demonstrate motivation regarding the quality of the work performed and sensitivity regarding the consequences on the environment and society.
8. Describe and measure the components of the income of an economy.
9. Describe the conditions of full employment in the labour market.
10. Detail the main economic indicators and justify their calculation and use.
11. Differentiate the effects of equilibrium on different competition regimes.
12. Discuss the profits resulting from trade and exchange.

13. Explain the role of the government and fiscal policy.
14. Identify the constituting elements of technology and costs.
15. Organise work, in terms of good time management and organisation and planning.
16. Select and generate the information needed for each problem, analyse it and make decisions based on this information.
17. Work as part of a team and be able to argue own proposals and validate or refuse the arguments of others in a reasonable manner.

Content

Theme 1: Introduction

Objective: Learn that economics is about the allocation of scarce resources. Examine some of the tradeoffs that people face. Learn the meaning of opportunity cost and efficiency. Discuss why markets are a good, but not perfect, way to allocate resources.

- 1.1 The principles of economics.
- 1.2 Thinking like an economist.
- 1.3 The opportunity cost efficiency.
- 1.4 Interdependence and the gains from international trade.

Theme 2: The market forces of supply and demand

Objective: Examine what determines the demand and the supply for a good in a competitive market. See how supply and demand together set the price of a good and the quantity sold. Analyze the causes of the changes of the equilibrium market.

- 2.1 Demand and supply functions.
- 2.2 Market equilibrium.
- 2.3 Determinants of market demand and shifts in the demand curve.
- 2.4 Determinants of the market supply and shifts in the supply curve.

Theme 3: Elasticity

Objective: Learn the concepts of price elasticity and income elasticity for a better understanding how the quantity demanded responds to both a change in price and a change in income.

- 3.1 Definition of price elasticity of demand.
- 3.2 Interpretation of price elasticity of demand: inelastic and elastic demand.
- 3.3 Determinants of price elasticity of demand.
- 3.4 Price elasticity and revenue.
- 3.5 Income elasticity and cross-price elasticity of demand.
- 3.6 Price elasticity of supply and its determinants.

Theme 4: Welfare, taxes and price controls

Objective: To introduce the concepts of consumer surplus and producer surplus and their relationship with the measure of welfare. The level of welfare associated to markets and the effects of taxes.

- 4.1 Surplus (consumer and producer). Welfare measures.

- 4.2 The effect of taxes and their incidence.
- 4.3 Deadweight loss.
- 4.4 Maximum and minimum prices. A view to the labor market.

Theme 5: The firm: cost curves and production.

Objective: To define the concepts of production function and to analyze the different types of costs (and cost functions).

- 5.1 Objective of the firm.
- 5.2 Production and technology. Marginal product and returns to scale.
- 5.3 Cost curves: total cost, average cost and marginal cost.
- 5.4 Short- and long-run cost curves.
- 5.5 The firm's output decision.

Theme 6: Market Structure.

Objective: To define several market structures in terms of competition. Study how the supply curve is determined when there are a large number of firms supplying the same good. Show how the market equilibrium is determined in perfect competition.

- 6.1 The behavior of firms according to the degree of competition in the markets.
- 6.2 The competitive firm.
- 6.3 The profit maximization of a competitive firm.
- 6.4 Output decision in the long- and short-run.
- 6.5 Competitive firm supply curve.
- 6.6 Industry supply curve.

Theme 7: Aggregate magnitudes

Objective: To introduce fundamental economic aggregates and its measure. Learn how gross domestic product (GDP) and consumer price index (CPI) are defined and calculated. Learn about how to measure unemployment.

- 7.1 Macroeconomic aggregates. Index of prices and inflation.
- 7.2 Unemployment and its natural rate. The flows in the labor market.
- 7.3 Level of economic activity, wealth, per capita income, others indicators of welfare. GDP deflator. Variables in nominal terms and in real terms.
- 7.4 National accounts: some important identities.

Theme 8: Consumption, savings and investment.

Objective: To analyze how the aggregate demand and aggregate supply are determined either in the short-run or long-run.

- 8.1 The aggregate demand and shifts.

8.2 The aggregate supply, determinants and shifts.

8.3 Macroeconomic equilibrium in the short-run.

8.4 Macroeconomic equilibrium in the long-run.

Theme 9: Economic policies: monetary and fiscal policy

Objective: Analyze how fiscal policy affects interest rates and aggregate demand. Introduction to monetary policy: controlling the amount of money and its effect on the price level.

9.1 Instruments of fiscal policy and the multiplier effect of the fiscal policy in a simple macroeconomic model.

9.2 Taxes and government expenditures. Limits of public debt.

9.3 Instruments of monetary policy. Money market equilibrium.

9.4 The monetary policy and the inflation rate.

Methodology

In this course we combine lectures with ICT support, together with several applied sessions devoted to solving problem sets and lists of exercises. We will eventually propose several readings, as well as case studies using real data.

Activities

Title	Hours	ECTS	Learning outcomes
Type: Directed			
Exercises and other tasks	15	0.6	2, 4, 1, 5, 8, 9, 10, 11, 12, 13, 14, 6, 7, 15, 16, 17, 3
Lectures	30	1.2	2, 4, 8, 9, 10, 11, 12, 13, 14, 7, 3
Type: Supervised			
Tutorials and work monitoring	7.5	0.3	2, 4, 1, 5, 8, 9, 10, 11, 12, 13, 14, 6, 7, 15, 16, 17, 3
Type: Autonomous			
Student work	75	3	2, 4, 1, 5, 8, 9, 10, 11, 12, 13, 14, 6, 7, 15, 16, 17, 3
Texbook reading	15	0.6	1, 5, 6, 7, 15, 17, 3

Evaluation

There will be a continuous evaluation of the course through partial evaluations and a final exam. The weight of each of the previous components in the calculation of the final grade is as follows:

- a) 60% for final exam
- b) 40% for partial evaluation activities

Partial evaluation activities: The objective of these activities is to facilitate the learning of the material by studying relatively small quantities of material rather than forcing the student to learn a lot of material for only one exam. One of the activities consist of a midterm exam, which counts for a 20% of the final grade, in which it will not be allowed to consult any reference/support materials, and the maximum resolution time will be 60

minutes. The rest of partial evaluation activities will be managed by the teacher. You will be able to use a calculator, but under no circumstances you will be allowed to use the cellular phone.

Final Exam: It includes all the materials of the course. The exam is designed so that students are forced to make the last effort that is required to consolidate the knowledge already acquired. The maximum resolution time is 2 hours. During the examination it will not be allowed to consult any reference/support materials. You will be able to use a basic calculator, but under no circumstances you will be allowed to use the cellular phone.

All students are required to take exams and other assessable tasks on the dates indicated in the course schedule or decided by the teacher. The student cannot ask for a long period of delivery or another exam date.

Hence the double assessment system aims to ensure the success in the learning process of the largest number of students. Additionally it is advisory to solve problem sets and other home-works that will be provided in advance during the developing of the course. The purpose of problem sets is to put at work the concepts and results developed during the lectures. Home works using real data can, eventually, be proposed in order to provide a more complete overview of the issues being studied.

The grade of the course is computed by applying the aforementioned weights. In case the grade is equal to or above 5, it is considered that the course requirements are satisfied and hence it cannot be the subject of a new assessment. In the case the grade is below 4, the student must re-take the course the following year. For those students who have obtained a grade that is equal to or greater than 4, but smaller than 5, there will be a re-evaluation exercise. The coordinator of the course will decide, and announce in due time, the format of the re-evaluation. The re-evaluation is scheduled in the last week of the semester. The grade of the re-evaluation will be qualitative with only two options: PASS or NO PASS. If a student gets a grade of PASS in the re-evaluation his final grade in the subject will be 5. If a student gets a grade of NO PASS in the re-evaluation his final grade will be the one obtained before the re-evaluation.

Students not participating in any activities subject to evaluation are considered "Non-Evaluable". Therefore, it is considered that a student who performs any of the continuous assessment components can no longer be eligible for a "Non-Evaluable".

Honor Code

In addition to the other disciplinary measures established in the academic regulations, any academic infraction done by the student during a mid-term exam or any other intermediate evaluation activity will cause the student to get a zero grade in this activity/exam. If a student is caught committing that infraction and the final grade of the course is not equal or higher than 5, then the student will fail the course and he will not be allowed to make the re-evaluation exercise.

Evaluation activities

Title	Weighting	Hours	ECTS	Learning outcomes
Final exam	60% of the final mark	3	0.12	2, 4, 1, 8, 9, 10, 11, 12, 13, 14
Partial evaluation activities	40% of the final mark	4.5	0.18	2, 4, 1, 5, 8, 9, 10, 11, 12, 13, 14, 6, 7, 15, 16, 17, 3

Bibliography

Bibliography

The reference manual for the course is:

-Krugman, P., Wells, R., i Graddy, K., Essentials of Economics. Palgrave Macmillan.

It is a basic manual introductory to economics which analyzes issues in both microeconomics and in macroeconomics. The text is well organized, with detailed explanations and examples and allows the reader to

concentrate on the fundamental aspects of the issues at hand. Furthermore, most chapters contain case studies that demonstrate how to apply the theoretical concepts.

More Textbooks

There are many good texts that may eventually be used to complement class notes and explanations given by the teacher. Some of them are the following:

- G. Mankiw, "Principles of Economics" Ed. Mc Graw-Hill. Textbook based on real case studies, applications and examples.
- Samuelson, P. and Nordhaus, W. "Economics" McGraw-Hill Ed. This manual is very similar to the reference manual but it offers additional explanations from a slightly different point of view, with more current references to real problems of specific economies.
- Dornbush, R. & Fisher, S. "Macroeconomics" McGraw-Hill Ed. This manual presents an approach to the study of macroeconomics at an affordable level but substantially more advanced than the basic manual.
- Begg, D., Dornbush, R. & Fisher, S., "Economics" McGraw-Hill Ed. This is a manual widely accepted and it has become a good reference to take into account within texts and manuals that introduce students to the study of economics for the first time. It is a complete and affordable text issues where both microeconomics and macroeconomics are discussed. It contains many examples that help the reader better understand the theoretical concepts.
- Varian, Hal R., "Intermediate Microeconomics" Ed A. Bosch. This manual focuses only on the analysis of issues related to microeconomics. The analysis is rather more formal and complex. It can be a good supplement for those students who want to go deeper into these issues.

Other manuals

- Mochón, F. "Principles of Economics" McGraw-Hill Ed
- Wonnacott & Wonnacott, "Economy" Ed McGraw-Hill
- Frank & Bernanke, "Principles of Economics" McGraw-Hill Ed

Web Links

- International Monetary Fund (IMF): <http://www.imf.org/external/esl/index.asp>
- Bank of Spain (BE): <http://www.bde.es>
- European Central Bank (ECB): <http://www.ecb.int/home/html/lingua.es.html>
- National Institute of Statistics (INE): <http://www.ine.es>