

**Fundamentals of Economics and Business I**

Code: 42140  
ECTS Credits: 15

Degree	Type	Year	Semester
4310025 Economics and Business Administration	OB	0	1

## Contact

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## Teachers

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## Use of languages

Principal working language: english (eng)

## Prerequisites

None

## Objectives and Contextualisation

**Microeconomics:**Microeconomics consists of the analysis of the behavior of economic agents and the implications of their interactions. The course explores the basic topics of consumers and firms behavior and optimization, market equilibrium, and choice under uncertainty.

**Public Economics:**Learn the main principles and applications of welfare economics and political economy, including modern incentive theory in the public sector and related issues in behavioral economics.

**Strategic Management:**The aim of the course is to introduce the student to the main concepts and thought processes in strategic management. Strategy will be studied as a general management task, developing the skills of the student within the strategic analysis, strategic formulation and strategic implementation stages of the strategic decision-making process.

## Skills

- Apply microeconomic analysis to evaluate the results generated by a market economy.
- Argue the case for and write a precise, clear and concise report of the problems presented in the English language.
- Carry out empirical studies.
- Contextualise economic problems through the use of formal models that enable quantitative analysis.
- Demonstrate an understanding of the concepts of equilibrium and efficiency, and understand their function in economic analysis.
- Demonstrate an understanding of basic consumer and producer theories
- Demonstrate an understanding of market operation in terms of both goods and assets.

- Demonstrate knowledge of the implications of markets being complete or incomplete.
- Distinguish between the elements of industrial strategy.
- Make an assessment of diversification and its comparative advantages.
- Make an assessment of innovation and its comparative advantages.
- Understand academic research in the areas indicated.
- Understand the basics of competitive markets and the Theorems of Social Welfare.
- Use different statistical programs to process data.

## Learning outcomes

1. Apply microeconomic analysis to evaluate the results generated by a market economy.
2. Argue the case for and write a precise, clear and concise report of the problems presented in the English language.
3. Carry out empirical studies.
4. Contextualise economic problems through the use of formal models that enable quantitative analysis.
5. Demonstrate an understanding of the concepts of equilibrium and efficiency, and understand their function in economic analysis.
6. Demonstrate an understanding of basic consumer and producer theories
7. Demonstrate an understanding of market operation in terms of both goods and assets.
8. Demonstrate knowledge of the implications of markets being complete or incomplete.
9. Distinguish between the elements of industrial strategy.
10. Make an assessment of diversification and its comparative advantages.
11. Make an assessment of innovation and its comparative advantages.
12. Understand academic research in the areas indicated.
13. Understand the basics of competitive markets and the Theorems of Social Welfare.
14. Use different statistical programs to process data.

## Content

### Microeconomics

#### Introduction

#### 1. Consumer Theory

1.1. Preferences and utility.

1.2. Budget constraint.

1.3. Utility maximization.

1.4. Properties of marshallian demand functions. Income and substitution effects.

#### 2. Theory of the Firm

2.1. Technology and production function.

2.2. Productivity and returns to scale.

2.3. Cost minimization: cost and conditional input demand functions.

2.4. Short and long run families of cost functions.

2.5. Profit maximization and output supply.

#### 3. Markets under perfect competition

3.1. Market supply and demand functions. Elasticities.

- 3.2. Market equilibrium.
- 3.3. Consumer and producer surplus.
- 3.4. Market efficiency.
- 4. Markets under imperfect competition
  - 4.1. Monopoly: Characteristics, inefficiency and regulation
  - 4.2. Oligopoly: Cournot, Bertrand and Stackelberg models
  - 4.3. Perfect versus imperfect competition.
- 5. Introduction to information economics.
  - 5.1. Adverse selection and applications
  - 5.2. Moral hazard and applications

### **Public Policies**

- 1. Foundations: welfare economics and market failures. Inequality. Welfare theorems. Second Best. Coase theorem. Efficiency and equity trade-offs.
- 2. Collective decision making. Social choice and collective action. Cooperation and coordination games. Political economy and public choice. Incentives in the public sector. Political economy & institutional economics.
- 3. Behavioral economics, public choice and welfare economics. Systematic biases in individual behavior. Boundedly rational consumers, firms and policy-makers.
- 4. Applications: Governing Globalization, Complex Economic Systems, Cost-Benefit analysis and Mega-projects.

### **Strategic Management**

- 1. Configuration Function of Strategy: The concept of strategy. Contents of business strategy. Different levels of strategy and strategic decision. Strategic business unit (SBU). The Strategic Management process.
- 2. Strategic Analysis (I) (External): Analysis of the general macro-environment. Analysis of the industry and competitive environments. Intra-industry analysis. Concept and identification of strategic groups and market segments. Identification of key success factors.
- 3. Strategic Analysis (II) (Internal): Functional analysis and strategic profile of the firm. Value chain analysis. Internal analysis based on resources and capabilities of the firm.
- 4. Business Strategy (I): Nature and sources of competitive advantages. Analysis of cost and differentiation advantages. The strategic clock.
- 5. Corporate Strategy (II): Diversification. Vertical integration. Cooperation. Firm internationalization.
- 6. Strategic Implementation. Strategy evaluation criteria and selection techniques. Strategic planning. Strategic control.

### **Methodology**

The activities that will allow the students to learn the basic concepts included in this course are:

- 1. Theory lectures where the instructor will explain the main concepts.**

The goal of this activity is to introduce the basic notions and guide the student learning

## 2. Problem Sets

In some subjects, a problem set which students will have to solve individually or in teams will be included in every unit. The goal of this activity is twofold. On one hand students will work with the theoretical concepts explained in the classroom, and on the other hand through this practice they will develop the necessary skills for problem solving.

## 3. Practice lectures

The aim of this activity is to comment on and solve any possible doubt that students may have had solving the problem assignment. This way they will be able to understand and correct any errors they may have had during this process.

## 4. Essay writing

In some subjects students will produce written essays on the topics proposed

## 5. Tutoring hours

Students will have some tutor hours in which the subject instructors will help them solve any doubts they may have.

## Activities

Title	Hours	ECTS	Learning outcomes
<b>Type: Directed</b>			
Lectures with ITC support	75	3	1, 4, 5, 6, 7, 8, 9, 10, 11, 13
Resolution of exercises	37.5	1.5	1, 5, 7, 8, 9, 10, 11, 13
<b>Type: Supervised</b>			
Tutoring and monitoring work in progress	93.8	3.75	1, 2, 3, 5, 7, 8, 9, 10, 11, 13, 14
<b>Type: Autonomous</b>			
Study, Reading, Exercise solving, Essays writing	129.7	5.19	1, 5, 6, 7, 8, 9, 10, 11, 12, 13

## Evaluation

1. The module consists of a number of different subjects or parts taught by different professors. The **final mark** for the module will consist of the average of the marks of each subject within the module.

- The module is considered successfully passed if:
  - the mark for each subject within the module is higher than or equal to 3.0 (in a 0 to 10 scale), and
  - the **final mark** for that module is higher than or equal to 5.0 (in a 0 to 10 scale).

IMPORTANT: In order to pass each subject, students must attend at least 80% of the lectures (special cases, with appropriate justification, will be considered individually by the professors together with MEBA coordinators).

If the module is not successfully passed the MEBA coordinators will ask the student to re-take the exams for those subjects that, according to the coordinators and the professors opinions, may help the student to successfully pass the module. If the student passes the re-take exam he or she will obtain a mark of 5 for that subject, otherwise the previous grade will remain valid. The calendar for the re-retake exams will be announced along with the grades report

1. The mark -between 0 and 10- for each subject will be computed by each professor based on his or her own criteria and on the student's performance. As a general rule, 35% of the mark will correspond to the assessment of the continuous work of the student during the course, and 65% will consist of a comprehensive final examination. The duration and nature of the final examination is decided by each professor.
1. Final exams are compulsory. Re-take exams are only thought for those students having previously written a first exam and failed.

## Evaluation activities

Title	Weighting	Hours	ECTS	Learning outcomes
Exercises and Essays	32.5%	30	1.2	2, 3, 4, 12, 14
Final Exam	67.5%	9	0.36	1, 5, 6, 7, 8, 9, 10, 11, 13

## Bibliography

### Microeconomics

1. JEHLE, G.A., RENY, P.J. Advanced Microeconomic Theory. Prentice hall. (3rd. Edition). 2011.
2. VARIAN, H., Microeconomic Analysis. Norton. (3rd. Edition). 1992.

### Public Policies

#### General

1. Congdon, W.J.; Kling, J.R. (2011), Policy and Choice: Public Finance through the Lens of Behavioral Economics, Brookings Institutions.
2. Cullis/Jones (2009), Public Finance and Public Choice, Oxford University Press. Third edition.
3. Gruber, J. (2007), Public Finance and Public Policy, Worth Publishers, Second Edition.
4. Hindriks/Myles (2006), Intermediate Public Economics, The MIT Press.
5. Silvestre, J. (2012), Public Economics. Efficiency and Equity in Public Policy, Edward Elgar.

#### Specific

Specific references will be distributed for every chapter.

### Strategic Management

1. GRANT, R. (2013), Contemporary Strategy Analysis, 8th edition, Wiley: London.
2. NAVAS, J.E.; GUERRAS, L.A. (2013): Fundamentals of Strategic Management. Thomson Reuters-Civitas: Madrid.

3. THOMPSON Jr., A.A., STRICKLAND III, A.J. and GAMBLE, J.E. (2009), *Crafting and Executing Strategy: Text and Readings*, 17th edition, McGraw-Hill: London