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Fundamentals of Economics and Business II

Code: 42141
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

Macroeconomics:

This course aims to familiarize students with key analytical concepts and key analytical tools in macroeconomic analysis and related policies.

Upon completion, students must be able (i) to understand fundamental theoretical issues underlying the relationship of some critical macroeconomic variables such as GDP, inflation, unemployment, etc; (ii) to interpret the reasons for, and the effects of, demand and supply-side policies; (iii) to understand the long-run effects of fiscal policy and the determinants of economic growth.

Public Finance:

Public Finance, or equivalently Public Economics, focuses on the study of the effects of government actions on economic activity. It aims at predicting the effects of these actions and at providing guidance on the choice among different alternatives. By restricting attention on a relatively small number of topics, the objective of the course is to illustrate how economic analysis emerges as an extremely helpful instrument in the design and evaluation of public policy.

Statistics for Data Analysis:

The course main objective is to provide a solid foundation of statistics for the analysis of economic data. Some of the most popular methods for data analysis will be reviewed. Even if the focus of the course is on the application of these methods, mathematical details will be included to help to properly evaluate the tools presented.

Econometrics:

The course coversbasic tools of econometric analysis for the measurement and testing of economic relationships. Special emphasis is placed on the applications and limitations of regression models.

Skills

- Argue the case for and write a precise, clear and concise report of the problems presented in the English language.
- Be able to handle the main statistical techniques for evaluating the properties of each method of analysis and relate the different characteristic measures of the data or diagnostics to the appropriateness of a model
- Carry out empirical studies.
- Choose the appropriate empirical methodology for the object of study: Contrasting economic hypothesis, policy evaluation, forecasting, etc.
- Contextualise economic problems through the use of formal models that enable quantitative analysis.
- Contrast different hypotheses regarding the response of economic agents in the context of the problem under study.
- Familiarise students with basic techniques for conjecture analysis and the necessary predictions for an appropriate interpretation of the cyclical and trend evolution of aggregate variables in the economic market.
- Identify the limitations associated with the available data and the consequences on empirical analysis.
- Infer, for each case, the consequences of economic policies or business strategies associated with the object of study.
- Isolate and analyse the main characteristics of the evolution of economic data.
- Operate using statistical sources that are relevant to the object of study (company data, individual and family surveys, etc.)
- Understand academic research in the areas indicated.
- Use different statistical programs to process data.

Learning outcomes

1. Argue the case for and write a precise, clear and concise report of the problems presented in the English language.
2. Be able to handle the main statistical techniques for evaluating the properties of each method of analysis and relate the different characteristic measures of the data or diagnostics to the appropriateness of a model
3. Carry out empirical studies.
4. Choose the appropriate empirical methodology for the object of study: Contrasting economic hypothesis, policy evaluation, forecasting, etc.
5. Contextualise economic problems through the use of formal models that enable quantitative analysis.
6. Contrast different hypotheses regarding the response of economic agents in the context of the problem under study.
7. Familiarise students with basic techniques for conjecture analysis and the necessary predictions for an appropriate interpretation of the cyclical and trend evolution of aggregate variables in the economic market.
8. Identify the limitations associated with the available data and the consequences on empirical analysis.
9. Infer, for each case, the consequences of economic policies or business strategies associated with the object of study.
10. Isolate and analyse the main characteristics of the evolution of economic data.
11. Operate using statistical sources that are relevant to the object of study (company data, individual and family surveys, etc.)
12. Understand academic research in the areas indicated.
13. Use different statistical programs to process data.

Content

Macroeconomics:

1. Introduction: Macroeconomic Variables and Empirical Facts.

2. Short-Run Analysis of Fiscal and Monetary Policy in a Small Open Economy.

3. Capital Accumulation.

4. Deficits, Debt, and Fiscal Policy in a Dynamic Economy.

5. Economic Growth.

6. Other Topics on Macroeconomics: Business Cycles, Monetary Policy, and the Labor Market.

Public Finance:

1. A framework for normative analysis

2. Commodity taxation

3. Income taxation

4. Tax evasion

5. Intertemporal efficiency

6. Social security

Introduction to Data Analysis:

1. Introduction

2. Descriptive statistics

4. Statistical inference

5. Additional topics and methods

Econometrics:

1. Introduction to econometric analysis

2. Regression models: estimation

3. Regression models: inference

4. Topics in the analysis of count data models

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 mayhave 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
Type: Directed			
Lectures with ITC support	75	3	2, 4, 5, 6, 7, 8, 9, 10, 11
Resolution of exercises	37.5	1.5	2, 6, 7, 9
Type: Supervised			
Tutoring and monitoring work in progress	93.8	3.75	2, 6, 7, 9, 12
Type: Autonomous			
Study, Reading, Exercise solving, Essays writing	129.7	5.19	2, 4, 6, 7, 8, 9, 10, 11, 12

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 <u>successfully passed</u> 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 <u>not successfully passed</u> 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 0and 10- for each subject will be computed by each professor based on his or her ow 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	35%	30	1.2	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13
Topic Exam: Econometrics	8.125%	2.25	0.09	2, 4
Topic Exam: Public Finance	16.25%	2.25	0.09	6, 9
Topic Exam: Statistics for Data Analysis	8.125%	2.25	0.09	7, 11
Topic exam: Macroeconomics	16.25%	2.25	0.09	8, 10

Bibliography

Macroeconomics:

Textbooks:

Romer, D. *Advanced Macroeconomics.* McGraw Hill.

Sørensen, P.B. and H.J. Whitta-Jacobsen. *Introducing Advanced Macroeconomics: Growth and Business Cycles.* McGraw Hill.

Williamson, S.D. *Macroeconomics.* Pearson.

Specific additional academic papers will be supplied during the course.

Databases:

Eurostat: http://ec.europa.eu/eurostat/data

OECD: http://www.oecd-ilibrary.org/statistics

IMF: http://data.imf.org/

European Comission: http://ec.europa.eu/economy_finance/db_indicators/

The World Bank (Doing Business Database): http://www.doingbusiness.org/data
Public Finance:

The basic reference for the course is J. Hindriks and G.D. Myles (2013), Intermediate Public Economics, MIT Press, second edition.

Further, more specialized references, are:

1. A.B. Atkinson and J.E. Stiglitz (1980), Lectures on Public Economics, McGraw-Hill.

2. A.J. Auerbach and M. Feldstein (eds) (1985,1987,2002.a,2002.b), Handbook of Public Economics, Vols. 1-4, North Holland.

3. A.J. Auerbach, R. Chetty, M. Feldstein and E. Saez (eds) (2013), Handbook of Public Economics. Vol. 5 , North Holland.

4. B. Salanié (2003), The Economics of Taxation, MIT Press.

5. R. Jha (2010), Modern Public Economics, Routledge, second edition.

6. R.W. Tresch (2002), Public Finance. A Normative Approach, Aceademic Press, second edition.

Statistics for Data Analysis:

1. DeGroot, M.H., M.J.Schervish, *Probability and Statistics.* Pearson.
2. Larsen, R.J & Marx, M.L. *An Introduction To Mathematical Statistics And Its Applications.*Pearson.
3. Mittelhammer, R.C. *Mathematical Statistics for Economics and Business.* Springer.
4. Moore, D.S., McCabe,G.P., Alwan,L.C., B.A.Craig, *The Practice of Statistics for Business and Economics.* Freeman.
5. Peck,R., Olsen,C., Devore,J., *Introduction to Statistics and Data Analysis.* Cengage.

Additional readings will be recommended for each specific unit.

Software: Stata

Econometrics:

1. Stock, J. & Watson, M., *Introduction to Econometrics.*
2. Verbeek, M., *A Guide to Modern Econometrics.*
3. Winkelmann, R. *Econometric Analysis of Count Data.*
4. Wooldridge, J.M., *Introductory Econometrics.*

Additional readings will be recommended for each specific unit.

Software: Stata