Universitat Autònoma de Barcelona

2019/2020

Introduction to Economics

Code: 102120
ECTS Credits: 6

Degree	Type	Year	Semester
2501231 Accounting and Finance	FB	1	1
2501232 Business and Information Technology	FB	1	1

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Use of Languages

Principal working language: catalan (cat)

Some groups entirely in English: No

Some groups entirely in Catalan: Yes

Some groups entirely in Spanish: Yes

External teachers

Inma Rico

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 properly solve 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.

Competences

Accounting and Finance

- Analysing, summarising and assessing information.
- Demonstrating a comprehension of the functioning of the financial system and the plan of action of various intermediaries, specially banks, saving banks and insurance companies, in order to negotiate effectively.
- Demonstrating a comprehension of the theories, institutions, and regulations of international trade in order to understand the process of economic globalisation and its consequences for the Spanish economy.
- Efficiently searching information, discriminating irrelevant information.
- Identifying the forces governing supply and demand in order to discuss the profits resulting from trade and exchange.
- Quantifying and assessing the cost and profitability of the investment and financing operations, including the tax incidence in the accounting and financial operations.
- Students must develop the necessary learning skills to undertake further training with a high degree of autonomy.
- Students must have and understand knowledge of an area of study built on the basis of general secondary education, and while it relies on some advanced textbooks it also includes some aspects coming from the forefront of its field of study.
- Working effectively in teams.

Business and Information Technology

- Communicating orally and in written form and at a technical level in Catalan, Spanish and another language, preferably English.
- Demonstrating a comprehension of the principles of economy and main theories and models in order to explain the economic behaviour on a microeconomic and macroeconomic level.
- Demonstrating the ability to plan in accordance to the objectives and available resources.
- Students must be capable of analysing, summarising, organising, planning and solving problems and making decisions.
- Students must be capable of searching and analysing information of different sources.
- Working in teams, sharing knowledge and communicating it to the rest of the team and the organisation.

Learning Outcomes

1. Analysing the growth factors of an economy.
2. Analysing, summarising and assessing information.
3. Arguing about the profits resulting from trade and exchange.
4. Assessing the effect of the governmental tax activities.
5. Calculating the macroeconomic balance in the short-term.
6. Communicating orally and in written form and at a technical level in Catalan, Spanish and another language, preferably English.
7. Demonstrating the ability to plan in accordance to the objectives and available resources.
8. Describing and assessing the components of the income of an economy.
9. Describing the conditions of full employment in the labour market.
10. Differentiating the balance effects in different systems of competence.
11. Efficiently searching information, discriminating irrelevant information.
12. Explaining in detail the main economic indicators and warranting its calculation and use.
13. Identifying the constitutive elements of technology and costs.
14. Identifying the forces governing the supply and demand.
15. Naming the aspects that affect economic growth.
16. Naming the aspects that affect income disparities.
17. Naming the specific accounts of banks and insurance companies, managing them and knowing how to interpret their evolution in subsequent years.

18. Students must be capable of analysing, summarising, organising, planning and solving problems and making decisions.
19. Students must be capable of searching and analysing information of different sources.
20. Students must develop the necessary learning skills to undertake further training with a high degree of autonomy.
21. Students must have and understand knowledge of an area of study built on the basis of general secondary education, and while it relies on some advanced textbooks it also includes some aspects coming from the forefront of its field of study.
22. Working effectively in teams.
23. Working in teams, sharing knowledge and communicating it to the rest of the team and the organisation.

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	10.75	0.43	1, 2, 4, 11, 5, 15, 16, 6, 7, 8, 9, 12, 10, 3, 13, 14, 21, 20, 18, 19, 23, 22
Theorethical lectures	33	1.32	1, 2, 4, 11, 5, 15, 16, 8, 9, 12, 10, 3, 13, 14, 21, 20, 18
Type: Supervised			
Tutorials and work monitoring	5.5	0.22	2, 11, 6, 7, 18, 19, 23, 22
Type: Autonomous			
Solving problem sets	15	0.6	1, 2, 4, 11, 5, 15, 16, 7, 8, 9, 12, 10, 3, 13, 14, 21, 20, 18, 19, 23, 22
Student work	75	3	1, 2, 4, 11, 5, 15, 16, 7, 8, 9, 12, 10, 3, 13, 14, 21, 20, 18, 19
Texbook reading	5	0.2	2, 11, 7, 21, 20, 18, 19

Assessment

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) 50% for final exam

b) 50% for partial evaluation activities (30% a partial exam and 20% other 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 30% of the final grade, in which it will not be allowed to consult any reference/support materials, and the maximum resolution time will be 75 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 and 15 minutes. During the exam 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.

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.

All students are required to performthe evaluation activities. 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 to 3,5, 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 3,5, but smaller than 5, there will be a second chance exam (re-take exam). The coordinator of the course will decide, and announce in due time, the format of the second chance exam. The second chance exam is scheduled in the last week of the semester. The grade of the second chance exam will be qualitative with only two options: PASS or NO PASS. If a student gets a grade of PASS in the second chance exam his final grade in the subject will be 5. If a student gets a grade of NO PASS in the second chance exam his final grade will be the one obtained before the second chance exam.

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".

Calendar of evaluation activities

The dates of the evaluation activities (exercises in the classroom, questionnaires ...) will be announced well in advance during the semester.

The dates of both the partial exam and the final exam will be scheduled in the assessment calendar of the Faculty.

"The dates of evaluation activities cannot be modified, unless there is an exceptional and duly justified reason why an evaluation activity cannot be carried out. In this case, the degree coordinator will contact both the teaching staff and the affected student, and a new date will be scheduled within the same academic period to make up for the missed evaluation activity." Section 1 of Article 115. Calendar of evaluation activities (Academic Regulations UAB). Students of the Faculty of Economics and Business, who in accordance with the previous paragraph need to change anevaluation activity date must process the request by filling out an Application for exams' reschedule

https://eformularis.uab.cat/group/deganat_feie/application-for-exams-reschedule

Grade revision process

After all grading activities have ended, students will be informed of the date and way in which the course grades will be published. Students will be also informed about the procedure, place, date and time of grade revision following University regulations.

Retake Process

"To be eligible to participate in the retake process, it is required for students to have been previously been evaluated for at least two thirds of the total evaluation activities of the subject." Section 3 of Article 112 ter. The recovery (UAB Academic Regulations). Additionally, it is required that the student to have achieved an average grade of the subject higher or equal to 3.5 and strictly lower than 5.

The date of the second chance exam will be posted in the calendar of evaluation activities of the Faculty.

Irregularities in evaluation activities

In spite of other disciplinary measures deemed appropriate, and in accordance with current academic regulations, *"in the case that the student makes any irregularity that could lead to a significant variation in the grade of an evaluation activity, it will be graded with a 0, regardless of the disciplinary process that can be instructed. In case of various irregularities occur in the evaluation of the same subject, the final grade of this subject willbe 0"*.***Section 10 of Article 116. Results of the evaluation. (UAB Academic Regulations).***

Assessment Activities

Title	Weighting	Hours	ECTS	Learning Outcomes
Final exam	50% of the final mark	2.25	0.09	1, 2, 4, 11, 5, 15, 16, 6, 7, 8, 9, 12, 10, 3, 13, 14, 18, 19, 23
Other evaluation activities	20% of the final mark	2.25	0.09	1, 2, 4, 11, 5, 15, 16, 17, 6, 7, 8, 9, 12, 10, 3, 13, 14, 21, 20, 18, 19, 23, 22
Partial exam	30% of the final mark	1.25	0.05	1, 2, 4, 11, 6, 7, 9, 12, 10, 3, 13, 14, 18, 19, 23, 22

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 Texbooks
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. Texbook 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