

Academic Year: (2018 / 2019)

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Department assigned to the subject: Economics Department

Coordinating teacher: SCHNEIDER , JOHANNES SIEGFRIED

Type: Basic Core ECTS Credits : 6.0

Year : 1 Semester : 1

Branch of knowledge: Social Sciences and Law

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Elementary calculus: percentages, rule of three and basic simplifications of quotients (also sums, subtractions, multiplications and quotients).

Solution of linear equations with one unknown.

Solution of two linear equations with two unknowns (by substitution).

Plot of linear equations in 2D graphs. Relationship with solutions to two linear equations with two unknowns.

Graphic interpretation of the slope of a line.

Computing elementary areas (triangles and rectangles).

OBJECTIVES

Most decisions that businesses and policy makers take are heavily influenced by the way markets operate. The competitiveness of markets, the household's decisions taking process, fiscal incentives and the regulatory intervention of the government, are some of the variables that influence the strategy to be taken by a business firm and policy makers. This course will prepare students to analyze markets. To achieve this, this course will provide a complete overview of how markets operate, and also when market fail and generate undesirable results from the point of society.

Skills

- Analyze and reason in a rigorous and systematic way about economic issues
- Clearly state economic problems assessing their scope and advancing viable solutions.
- Use economic systems to analyze policy recommendations
- Ability to communicate economic analysis in precise and concise manner

Attitudes

- Respect for economic facts as a basis for decision making both in private and public policies.
- Interest in other persons' ideas and willingness to express own opinions with grounds on empirical references.
- To improve their confidence thru a better understanding of the environment where they live.

DESCRIPTION OF CONTENTS: PROGRAMME

This course starts discussing the role of incentives in decision making by households, and the opportunity cost of these decisions. After this brief introduction, since markets are one of the most important elements of any economy, the course analyzes the forces that shape them: supply and demand. The course follows analyzing market efficiency and different sources of market failures, such as public goods, externalities and natural monopolies. After this, it will discuss imperfect competition and the economic inefficiencies they could create, together with the measures the state can take in order to reduce these inefficiencies. The course closes with an analysis of the problems that come along when there is asymmetric information. The course contents are as follows:

1. Introduction. The basic economic problem: scarcity and pure interchange. Microeconomics and Macroeconomics. Normative and positive economics. Opportunity cost and comparative advantage.
2. The demand function. Marginal utility and individual demand. The aggregated demand. Movements along and shifts of the demand curve.
3. The supply curve. Marginal costs and supply of products by the individual firm. Aggregate supply. Movements along and shifts of the supply curve. Elasticity of demand and supply.
4. Market equilibrium. Efficiency and equity in the market: consumer and producer surplus.
5. Market intervention and effects on welfare: price controls, quantity controls, taxes and subsidies.
6. The Economics of International Trade. Determinants of Trade. Winners and loser. The economics of trade restrictions
7. Market failures: Imperfect competition (monopoly and monopolistic competition).
8. Oligopolies and Cooperation.
9. Market failures: externalities, public goods and common resources.
10. Moral hazard and adverse selection.
11. Labor Markets

LEARNING ACTIVITIES AND METHODOLOGY

The teaching methodology is based on two types of sessions:

1. Master classes, where the subject is given with graphical support (slides). To facilitate learning the students have access to audiovisual materials and basic texts of reference to complete and deepen the topics explained in class.
2. Practical classes to smaller groups of students, where they can take a more active part in solving the proposed exercises and discussing current events. In these sessions, student's participation and problem sets are graded. Student participation in class enables them to analyze problems and communicate solutions, encouraging the exchange of opinions.

ASSESSMENT SYSTEM

% end-of-term-examination/test:	50
% of continuous assessment (assignments, laboratory, practicals...):	50

The continuous evaluation consists of 4 problem sets and 2 quizzes. Problem sets account for 20% of the final mark and quizzes for 30%. The remainder of the grade (50%) is based on the final exam.

BASIC BIBLIOGRAPHY

- Mankiw, N. Gregory Principles of Microeconomics, Cengage Publishing, 7th edition, 2018
- Mankiw, N. Gregory and Mark P. Taylor Economics, Cengage Publishing, 4th edition, 2017