

61333 - Economic Theory

Información del Plan Docente

Academic Year	2017/18
Faculty / School	109 - Facultad de Economía y Empresa
Degree	525 - Master's in Economics
ECTS	6.0
Year	1
Semester	First semester
Subject Type	Compulsory
Module	---

1.General information

1.1.Introduction

Overview

Economic theory provides the student with useful concepts and tools that allow him to analyze and understand the microeconomic and macroeconomic behaviors observed in the real world. The most recent research is incorporated in the topics studied. In particular, the microeconomic portion of this course highlights individual behavior, the complexity and the variety of interrelationships among individuals, and their consequences for social welfare. The macroeconomic portion provides some answers to the fundamental questions of why economies grow, why some economic cycles are more dramatic than others, why the authorities implement different monetary and fiscal policies to deal with macroeconomic problems and, finally, what are the underlying factors of unemployment.

1.2.Recommendations to take this course

a) Initial recommendations

The purpose of this course is to provide the student with knowledge that allows him/her to build, to solve, and to analyze economic topics of current interest from microeconomic and macroeconomic perspectives. An adequate introduction of each economic topic is available, in such a way that it is not necessary to have acquired the competence and skills linked to an Economics Degree. However, those who have a solid grounding in basic calculus, intermediate microeconomics, and intermediate macroeconomics, will benefit from a less difficult learning process.

1.3.Context and importance of this course in the degree

Usefulness of this subject in the Master:

The knowledge of microeconomic and macroeconomic mechanisms provided in Economic Theory are a precondition to realizing a serious analysis of any relevant topic in economics, although this study may be interconnected with other social disciplines, such as sociology, psychology, history...

1.4.Activities and key dates

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Economic theory lasts ten weeks. Each week will require six hours in the classroom (two sessions of three hours each), beginning in the second half of October.

The course is divided into thematic areas. The materials and bibliography for each thematic area will be provided during the course. In the first face-to-face class, the teacher will explain the learning activities and methodology in more detail. It is strongly recommended to follow the proposed lists of exercises, which should be solved and delivered to the teacher in a timely fashion. The last face-to-face class will be devoted to a written examination.

2. Learning goals

2.1. Learning goals

In order to pass the course, the student should have acquired the following results:

- i. To understand the microeconomics mechanisms that explain how the economy works, taking into account individual and collective behaviors.
- ii. To analyze the different decisions taken by each individual, both in the role of consumption demand and the role of input supply, focusing on distribution decisions and following the most recent models of individual behavior.
- iii. To analyze the different individual decisions taken in a collective context, in which the possibility of cooperation or of conflict with other individuals is present, according to different theories of collective behavior, and taking a special interest in the well-being attained.
- iv. To handle the basic tools required to analyze dynamic macroeconomic models, such as optimal control techniques and overlapping generations models, and using these in the study of economic growth and long-run dynamics. The emphasis will be on methods of dynamic macroeconomic analysis with specific applications
- v. To know the current methods of measuring economic cycles and analyzing the mechanisms that explain why the authorities implement different monetary and fiscal policies, conventional or unconventional.
- vi. To understand the relevant factors involved in the labor market, in particular, the process of matching between the unemployed and job opportunities when heterogeneities and frictions are present.

2.2. Importance of learning goals

Importance of learning outcomes obtained in the course:

- Understand the microeconomic functioning of the Economy.
- Understand the behaviour of economic individuals, from the perspective of their individual conduct, as well as their interactions within different economic structures.
 - o Understand with accuracy how individuals distribute their resources (monetary, free time...) between different alternatives of use, both in the demand for consumer goods, and in the offer of productive resources.
 - o Understand with accuracy how individual behaviours interact among individuals and groups, with the goal of optimizing the collective well-being.
 - o Properly position the moment through which the economy passes, at each moment, and be able to make realistic predictions.
 - o Properly evaluate macroeconomic policy decisions that are taken at each moment, and anticipate the consequences that will be derived from them.

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- o Simulate the behaviour of economies once the structural parameters of the equations that represent them are suitably calibrated.
- o Differentiate variables that should be considered when estimating econometric models, with the goal of explaining growth, cycles, unemployment, inflation....
- o Delve into the research of problems located on the frontiers of macroeconomic knowledge..

3.Aims of the course and competences

3.1.Aims of the course

Main purposes of the course:

The aim of the course is to provide the student with useful tools to analyze the present economic problems, from two complementary and overlapping points of view: Microeconomics and Macroeconomics. From the microeconomic perspective, understanding the mechanisms that explain individual behavior and interrelationships with other individuals, either in a cooperative atmosphere or in a context of conflict, is required to measure social welfare and hence, to propose adequate policies. From the macroeconomic perspective, the present economic situation of each country comes from a combination of a long-run dynamic trajectory with short-run fluctuations, in such a way that knowledge of both is a necessary condition to understanding the optimal macroeconomic policies

3.2.Competences

Once the student has passed the course, he/she is more skilled in:

CE1.-Knowing how economic agents behave, by considering individual behaviors, as well as interrelationships within different economic structures.

CE2.-Understanding exactly how individuals distribute their resources among different alternatives in order to optimize social welfare.

CE3.- Adequate diagnosis of the present economic situation of countries, in order to make realistic predictions and to suggest useful economic policies, whose consequences can be anticipated.

CE4.-Simulation of the behavior of economies, once the parameters of the structural equations have been well calibrated.

CG5.- Ability to understand, to reproduce, and to build models.

CG6.- Ability to analyze and to solve complex economic problems using advanced models of economic analysis.

CG7.- Knowing the present relevant research topics in the fields of applied economics, economic history, statistical and quantitative methods, and economic analysis, and having the capacity to link different disciplines, which may generate new advances in research.

4.Assessment (1st and 2nd call)

4.1.Assessment tasks (description of tasks, marking system and assessment criteria)

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The student must demonstrate the achievement of prescribed learning outcomes by means of the following evaluation activities...

System of evaluation	Minimum weight	Maximum weight
Works (projects) completed, presentations, and participation in class	50%	50%
Final exam	50%	50%

5. Methodology, learning tasks, syllabus and resources

5.1. Methodological overview

The methodology followed in this course is oriented towards achievement of the learning objectives. A wide range of teaching and learning tasks are implemented, such as lectures, student participation, and autonomous work (readings, problems, assignments, study).

5.2. Learning tasks

The course includes the following learning tasks:

- Lectures (40 hours): compulsory attendance. Sessions will deal with topics related to microeconomics and macroeconomics.
- Autonomous work (90 hours).
- Presentation and defense of assignments (20 hours): compulsory attendance.

5.3. Syllabus

The course will address the following topics:

Section I. Microeconomics

- Session 1. Individual behaviour: separable and non-separable inter-temporal unitary models (9 hours, distributed between lectures, and presentation and defence of assignments).
- Session 2. Collective behaviour: models a la Chiappori and game theory models (9 hours, distributed between lectures, and presentation and defence of assignments).
- Session 3. Applications to the economy of population and to the labour market (10 hours, distributed between lectures, and presentation and defence of assignments).
- Final exam (2 hours).

Section II. Macroeconomic work

- Session 1. Basic macroeconomic instruments I: dynamic models in continuous time and their application to models of first, second, and third generation economic growth (6 hours, distributed between lectures, and presentation and defence of assignments).
- Session 2. Basic macroeconomic instruments II: models of overlapping generations and their application to current and relevant economic problems (6 hours, distributed between lectures, and presentation and defence of assignments).

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- Session 3. How are the economic cycles and recent models that explain these fluctuations measured (6 hours, distributed between lectures, and presentation and defence of assignments).
- Session 4. Current macroeconomic policies (5 hours, distributed between lectures, and presentation and defence of assignments).
- Session 5. The labour market (5 hours, distributed between lectures, and presentation and defence of assignments).
- Final exam (2 hours).

5.4.Course planning and calendar

See previous section. Further information concerning the timetable, classroom, assessment dates and other details regarding this course, will be provided on the first day of class.

5.5.Bibliography and recommended resources