

## 61333 - Economic Theory

### Syllabus Information

**Academic Year:** 2022/23

**Subject:** 61333 - Economic Theory

**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. Aims of the course

**Aims of the course:**

This course aims to provide students with useful instruments to analyze the economic problems of current interest, from a complete perspective: microeconomic and macroeconomic. From the microeconomic perspective, understanding the mechanisms that explain the behavior of each individual as well as the economic interrelationships with other individuals, either in a climate of cooperation or conflict, is a requirement to measure the social welfare of the community and propose appropriate measures. From a macroeconomic perspective, the current state of an economy is the result of the combination of a long-term dynamic trajectory and short-term fluctuations, and knowing both is a requirement to understand the optimal macroeconomic policies in both the long-term and short-term context.

These approaches and objectives are aligned with the following Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda (<https://www.un.org/sustainabledevelopment/es/>), in such a way that the acquisition of the results of Subject learning provides training and competence to contribute to some extent to its achievement:

- Objective 4: Quality education. (Targets 4.3, 4.4 and 4.5)
- Goal 8: Decent work and economic growth. (Targets 8.2 and 8.5)

### 1.2. Context and importance of this course in the degree

**Context and importance of this course:**

Knowledge of the microeconomic and macroeconomic mechanisms provided by this subject is an essential reference for a serious study of any economic topic of interest, although the perspective that is given to the study is not exclusively economic and has other disciplines as its axis.

### 1.3. Recommendations to take this course

**Recommendations to take this course:**

In this course economic problems of current interest are raised and analyzed from the microeconomic and macroeconomic point of view. Each of the topics has an introduction, so it is not an essential requirement to

possess the skills linked to the degrees taught in the Faculties of Economics and Business. However, for those who have knowledge of microeconomics, macroeconomics or mathematics, the learning process will be less difficult.

## **2. Learning goals**

### **2.1. Competences**

Upon passing the subject, the student will be more competent to:

CE1.- Understand the behavior of economic individuals, both from the perspective of their individual behavior and when they interact in different economic structures

CE2.- Understand precisely how individuals distribute their resources among the different alternatives of use with the ultimate goal of optimizing the well-being of the community.

CE3.- Properly diagnose the moment the economy is going through, make realistic predictions and suggest economic policy decisions, anticipating their consequences.

CE4.- Simulate the behavior of economies once the structural parameters of the equations that represent them have been adequately calibrated.

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

CG6.- Understand, analyze and solve complex problems of an economic nature based on a broad knowledge of advanced models of economic analysis.

CG7.- Demonstrate knowledge of relevant research topics and current academic debates in the field of applied economics, economic history, statistical and quantitative methods and economic analysis, relating the different disciplinary contributions that can give rise to new approaches.

### **2.2. Learning goals**

To pass this subject, the student must demonstrate the following results:

i. Understand the microeconomic mechanisms that explain the functioning of the economy, both from the point of view of individual and collective behavior.

ii. Analyze the different decisions of individuals, in their role as demanders of consumer goods and providers of productive resources, paying attention to their distribution choices of the goods demanded and the resources offered, according to current models of individual behavior.

iii. Analyze the different decisions of individuals in a collective context, in collaboration or conflict with other individuals, according to the different approaches to collective behavior, emphasizing the social welfare achieved.

IV. Manage the basic instruments of dynamic macroeconomics, in particular, continuous-time models and overlapping generation models, and be able to apply them to long-term analysis of the behavior of economies and economic policies.

v. Know the current methods of measuring economic cycles and the mechanisms that explain why certain macroeconomic policy measures are adopted, whether they are fiscal or monetary policies, conventional or not.

### **2.3. Importance of learning goals**

- ? Understand the microeconomic functioning of the economy.
- ? Understand the behavior of economic individuals, both from the perspective of their individual behavior and when they interact in different economic structures.
- ? Understand precisely how individuals distribute their resources (monetary, available time,...) among the different alternatives of use, both in the demand for consumer goods and in the supply of productive resources.
- ? Understand exactly how individual behaviors interact with each other with the ultimate goal of optimizing the well-being of the community.
- ? Properly situate the moment the economy is going through and be able to make realistic predictions.
- ? Appropriately assess the macroeconomic policy decisions that are taken at all times and anticipate the consequences that will derive from them.
- ? Simulate the behavior of economies once the structural parameters of the equations that represent them have been properly calibrated.
- ? Discriminate the variables that should be considered when estimating econometric models to explain growth, cycles, unemployment, inflation,...
- ? Deepen the analysis of problems located on the frontier of macroeconomic knowledge.

### 3. Assessment (1st and 2nd call)

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

The student must demonstrate that they have achieved the intended learning outcomes through the following assessment activities.

System of evaluation	Minimum weight	Maximum weight
Exercises, presentations and participation in classes	50%	50%
Final exam	50%	50%

Students who do not opt for the previous system or do not pass the subject by this procedure or who wish to improve their grade, will have the right to take a global test, prevailing, in any case, the best of the grades obtained

### 4. Methodology, learning tasks, syllabus and resources

#### 4.1. Methodological overview

The learning process that has been designed for this subject is based on a combination of theoretical exposition by the teacher with the active participation of the student in the different subjects under study. In addition, the student must prepare for the classes the readings, the problems or works proposed by the professor. In the learning process, the study and individual effort of the student is necessary.

#### 4.2. Learning tasks

The program offered to the student to help him achieve the expected results includes the following activities:

Learning activity	Nº Hours	Face-to-face
Attending theoretical classes	40	100%
Preparation of works/exercises and independent study of the student	90	-----
Presentation and defense of the work carried out	20	100%

### 4.3. Syllabus

#### Part I. Macroeconomics

I.1. Basic instruments of dynamic macroeconomics

I.2. Economic growth

I.3. Economic fluctuations

#### Part II. Microeconomics

II.1. Models of Individual behavior

II.2. Models of collective behavior

II.3. Applications

### 4.4. Course planning and calendar

The course takes place over fifteen weeks, with four hours of face-to-face class per week, divided into two two-hour sessions. The first half corresponds to the macroeconomic approach and the second to the microeconomic. The course begins the first week of October.

The course is divided into two thematic blocks. Materials and bibliography will be provided in each one of them, as well as a series of exercises that students must deliver solved as indicated by the corresponding teacher. On the first day of face-to-face class, the mechanics of work to be followed throughout the fifteen weeks will be explained in detail. Once each of the parts is finished, a written test will be carried out.

Calendar of face-to-face sessions and presentation of works:

Macroeconomy:

1. Basic instruments of dynamic macroeconomics: Dynamic systems and the problem of optimal control, basic model of infinite horizon and model of overlapping generations (9 contact hours distributed between master class and presentation and defense of works).

2. Models of economic growth (7 face-to-face hours distributed between lectures and presentation and defense of papers).

3. Economic fluctuations: Business cycles, Theory of real cycles, nominal rigidities and neo-Keynesian models (12 contact hours distributed between lectures and presentation and defense of papers).

4. Final exam (2 hours).

Microeconomics:

1. Individual behavior: Separable and non-separable intertemporal unitary models (9 face-to-face hours distributed between master class and presentation and defense of works).

2. Collective behavior: Models à la Chiappori and models with game theory (9 face-to-face hours distributed between master class and presentation and defense of works).

3. Applications: Economy of the population and labor market (10 contact hours distributed between lectures and presentation and defense of works).

4. Final exam (2 hours).

#### **4.5. Bibliography and recommended resources**

Macroeconomics:

Barro, R. J. and X. Sala-i-Martin, 2003. Economic Growth. MIT Press. 2nd Edition

Blanchard, O. J. and S. Fischer, 1989. Lectures on Macroeconomics. MIT Press. 1st Edition

Galí, J., 2015. Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework and its Applications. Princeton University Press. 2nd Edition

Romer, D., 2019. Advanced Macroeconomics. McGraw-Hill Irwin. 5th Edition

Microeconomics:

Household economic behaviors / edited by José Alberto Molina New York ; London : Springer, 2011

Varian, Hal R.. Análisis microeconómico / Hal R. Varian ; traducción de M<sup>a</sup> Esther Rabasco y Luis Toharia . 3a. ed. Barcelona : Antoni Bosch, D.L. 2011

Segura, Julio. Análisis microeconómico / Julio Segura . - 3a ed., reimp. Madrid : Alianza, 2002