1. SUBJECT DESCRIPTION

Over the past few decades, Economics has taken on a growing importance among scientific disciplines and it is now included in introductory courses for most university degree programs. Economic science studies human behavior in its attempt to satisfy the most urgent needs by choosing among multiple possibilities in an environment of scarce resources, uncertainty and subjective valuations. Thus the knowledge of economic science is basic to understand how individual agents, typically interacting in decentralized markets, achieve collective ends. Macroeconomics is the branch of economics that studies the behaviour of the economy as an aggregate. It is the science that seeks to identify what makes a country’s economy healthy and what can explain the troubles and instability sometimes faced by others. We can say that a healthy economy is the one that experiences steady growth, full employment, low inflation, sound public finances and a balanced external sector. Therefore, Macroeconomics helps understand, prevent, and eventually counteract, the reasons for low growth, high unemployment, cyclical swings, and imbalances in the public and external sectors. Understanding these issues helps identify the potential role of governments to improve the health of their economies through public policies; it also helps assess the potential impact of inadequate macroeconomic policies. Prevailing and prospective economic conditions should be always a key consideration when making all kinds of business decisions. The right business environment is a prerequisite for the success of any entrepreneurial projects, as well as for getting reasonable returns on any financial investment.

Students in the Applied Economics course will get acquainted with basic economic thinking and will get a general and overarching perspective on the skills and information to be presented in subsequent courses on Economics throughout the Bachelor in International Relations: The European Union, International Political Economy, International Trade, International Monetary Theory and International Business & Multinational Corporations. The final aim is that this methodology becomes a useful tool that students can apply in their future professional career. The theoretical concepts learnt in class will be complemented with numerous real case studies and empirical exercises since the focus of the subject is eminently practical.
2. OBJECTIVES AND SKILLS

2.1. OBJECTIVES

Given its introductory nature, the basic objective of the course is to familiarize students with basic economic concepts and with the methodology that scholars and practitioners in the economic discipline use to understand and explain decision making and the economic problems and phenomena that surround us. In this first course we will get a flavor on how markets work, how prices arise through individuals’ interaction, and how public intervention may at times be justified on social grounds and other times may be questionable if it leads to an outcome where social welfare is smaller than that resulting from an environment with voluntary private interaction. To do so we will go over basic concepts and tools and will sketch out the main economic processes and relationships, in the fields of macroeconomics (national production and growth, employment and the labor market, the role of investment, inflation, unemployment, fiscal and monetary policies, etc.).

2.2. SKILLS

The Bachelor in International Relations, through the study of Economic Theory, aims to develop students’ ability to describe, analyze and understand the economic environment where business takes place. More specifically, the Applied Economics course aims for the student to make progress in several specific skills:

Cognitive (Know)
- Analyze the behavior of economic agents (consumers and businesses) and the operation of markets.
- Understand economic institutions through the study of theories as to how the economy works.
- Learn macro-aggregate economic concepts and their use.
- Understand the general workings of the overall economy over the short and the long run.
- Explore the use of economic models to make predictions about the real world.

Procedures (Know How)
- Apply economic criteria based on the use of technical tools to the analysis of simple economic problems.
- Use the relevant information to evaluate the current economic environment and possible evolution of business and markets.
- Use the course material to analyze new economic problems and reason in a rigorous and systematic way.
- Identify the sources of relevant economic information.
- Draw relevant information from data that non-experts would be unable to appreciate.
- Improve the ability to present and discuss in a coherent manner, whether in a written text or public exposition, the results of a specific economic study.

Attitude (Being)
- Improve individual problem solving, confront problems in a rigorous and systematic fashion and think critically.
- Develop the ability to share and discuss the results with other students.
- Encourage an entrepreneurial and positive attitude when faced with new problems, and encourage students to overcome failure.
3. CONTENT

The course will consist of a total of 30 sessions. There will be a balance between theoretical and practical classes.

3.1. PROGRAM

PART I: INTRODUCTION (Sessions 1 to 6)
- Main international economic blocks
- Some figures about the international macroeconomic relations
- Macromagnitudes I: production
- Macromagnitudes II: prices

Theory, questions for review, problems and applications
Reading 1 (to be arranged)

PART II: REAL ECONOMY IN THE LONG RUN (Sessions 7 to 11)
- Production and growth
- Development
- Saving & investment
- Documentary 1

Theory, questions for review, problems and applications
Reading 2 (to be arranged)

PART III: MONEY AND PRICES IN THE LONG RUN (Sessions 12 to 13)
- The monetary system
- Money growth and inflation

Theory, questions for review, problems and applications
Reading 3 (to be arranged)

MIDTERM & REVISION (Session 14)

PART IV: SHORT-RUN ECONOMIC FLUCTUATIONS I (Sessions 15 to 18)
- Keynes and IS-LM analysis
- Aggregate demand and aggregate supply
- Trade-off between inflation and unemployment

Theory, questions for review, problems and applications
Reading 4 (to be arranged)

PART V: SHORT-RUN ECONOMIC FLUCTUATIONS II (Sessions 19 to 23)
- Economic crises throughout History
- Monetary policy
- Fiscal policy
- Documentary 2

Theory, questions for review, problems and applications
Reading 5 (to be arranged)
PART VI: INTERNATIONAL ECONOMICS (Sessions 24 to 26)

- Basic concepts
- A macroeconomic theory
- Exchange rate policy

Chapters 31 & 32, Mankiw and Taylor (2011)
Theory, questions for review, problems and applications
Reading 6 (to be arranged)

DEBATE (Session 27)

SOLVE QUESTIONS AND DOUBTS (Session 28)

GENERAL GROUP FINAL ASSIGNMENT, GENERAL DISCUSSION AND PRESENTATION OF INDIVIDUAL AND GROUP ASSIGNMENTS (Sessions 29 and 30)

4. METHODOLOGY

As Mankiw states in his textbook, student should:

a) Summarize, don’t highlight
b) Test yourself
c) Practice, practice and practice
d) Study yourself and in groups
e) Don’t forget the real world: read the newspapers

Theory classes
Each theory session is designed as follows:

a) 5 minutes: students give the professor the summary of the previous session. One of them reads it for the whole class
b) 5-10 minutes: students give the professor a brief report they have prepared containing 5 news from different newspapers (five continents). One of them reads and comment them for the whole class
c) 60 minutes: master class. Lectures will be highly dynamic, with the exposition of the main points by the professor and active participation from the class, with questions, debates, examples, cases, pictures, news and very brief videos (New York Times, Financial Times, BBC, etc.).
d) 10 minutes: quick-exam (multiple choice test) of the readings arranged in the syllabus

Practical Classes
To gain a better understanding of the theory studied in class, students will practice by way of the following:

Questions for review. The review of the theoretical content covered in each sesión through the answer of several key questions proposed in class is an important way to learn. The student should try to answer on his own to self-evaluate his understanding and progress.

Problems and applications. Students must prepare and solve the problem sets assigned prior to the beginning of the practice class by using the theory lectures and the recommended bibliography. The problem sets may be complemented by texts from the press relevant to the topic at hand. Students are expected to participate actively in class, expressing their difficulties and proposing solutions. The professor will clarify the solutions but this will be productive only if the students have previously tried to work on their own.
Assignments. There will be individual and/or group assignments in which students will be tasked with finding sources of information, putting theory into practice, systematizing, reasoning and solving problems, etc. Some of these assignments may be presented in class.

Office Hours
One hour every week (to be posted), and by appointment.

5. ATTENDANCE AND EVALUATION SYSTEM

Class attendance policy
Regular attendance is required in order to receive credit for class participation. According to the University rules, students are required to attend at least 70% of all the sessions scheduled in the course. Absences beyond this limit will automatically result in a zero for the course. No justifications will be necessary for the unattended sessions within the allowed limits.

Evaluation system
The evaluation for the class will be on a continuous basis and will depend on performance in homeworks and in the final exam, and on participation in class. The student will receive information on his/her grades for the different assignments.

The final grade will be calculated as follows:

Sessions: 40%
- Team work: 20%
  - Whole group exam: 10%. The whole group will be working along the semester on a topic proposed by the professor. In session 28, the professor will make several questions on that topic. The group, as a whole, will obtain a grade. That grade represents 10% of each individual final grade.
  - Small teams work: 10%
- Active participation: 20%
  - Summaries and news: 10%
  - Assigned homework: 10%

Autonomous work: 60%
- Exam: 40%
  - Multiple choice test: 20%
  - Exercises and brief essays: 20%
- Readings: 20%