INTRODUCTION TO ECONOMICS

DEGREE: BACHELOR IN INTERNATIONAL RELATIONS
ACADEMIC YEAR:
DEGREE COURSE YEAR: 1ST
1º SEMESTER ☑ 2º SEMESTER ☐
CATEGORY: ☑ BASIC ☐ COMPULSORY ☐ OPTIONAL
NO. OF CREDITS (ECTS): 6
LANGUAGE: ENGLISH
TUTORIALS: TO BE ARRANGED
FORMAT: IN-PERSON
PREREQUISITES: NONE

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.

Students in the Introduction to 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: Applied Economics, 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 learned 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 of how markets work, how prices arise through the interaction of individuals, 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 both microeconomics (feasible choices, individual supply and demand, consumer and producer behavior, the workings of markets, assessment of economic outcomes, public sector intervention, etc.) and 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 Introduction to 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

SESSIONS 1 - 6
PART I: INTRODUCTION
- A tour of the world
- Economic History in a nutshell
- Ten principles of Economics
- Thinking like an economist
- Main international economic institutions and data sources
SESSIONS 7 - 10
PART II: SUPPLY AND DEMAND I

- Supply, demand and equilibrium
- Elasticity, price ceilings and floors and its applications
- Documentary 1: Price floors, agriculture sector in the European Union and its consequences for Less Developed Countries

SESSIONS 11 - 13
PART III: SUPPLY AND DEMAND II

- Welfare analysis, efficiency and market intervention
- International trade

SESSIONS 14 - 16
PART IV: FIRM BEHAVIOUR AND THE ORGANIZATION OF INDUSTRY I: PRODUCTION, COST AND COMPETITIVE MARKETS

- The cost of production
- Competitive markets

SESSIONS 17 - 20
PART V: FIRM BEHAVIOUR AND THE ORGANIZATION OF INDUSTRY II: MARKET FAILURE

- Imperfect competition I: Monopolistic markets
- Imperfect competition I: Oligopoly
- Externalities and Public goods

SESSION 26
PART VI: THE MARKETS FOR THE FACTORS OF PRODUCTION (Sessions 21 to 25)

DEBATE

- Labour
- Land, resources and conflict: a world overview
- Capital and the financial sector
- Documentary 2: Inside job

Theory, questions for review, problems and applications
Reading 1 (to be arranged)
Reading 2 (to be arranged)
Reading 3 (to be arranged)
Reading 4 (to be arranged)
Reading 5 (to be arranged)
Reading 6 (to be arranged)
4. METHODOLOGY

As Mankiw states in his textbook, as a student, you 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

4.1. 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

4.2. 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 session 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 weekly (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 homework and 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%

Individual work: 60%

Exam: 40%
- Multiple choice test: 20%
- Exercises and brief essays: 20%

Readings: 20%

5.1. EXAMINATION POLICY

1) Students have up to 4 examination sessions per course over two consecutive academic years.

2) IE University has a mandatory Class Attendance Policy that calls for students to attend a minimum of 70% of class sessions in a course. An absence, for any reason, counts towards the maximum of 30% allowed absences. Failure to comply with any of these requirements will result in students being ineligible to sit for the exam in both the 1st and 2nd examination sessions. These students will be required to sit for the exam in the 3rd session.
3) Grading for make-up exams will be subject to the following rules:

- Students who failed the course in the first round of exams will be eligible to re-sit in the 2nd examination session. **Warning**: students who do not comply with the attendance policy requirements will be required to sit for the exam in the 3rd examination session.
- The highest grade that a student may earn in the 2nd examination session is 8.