UG Course Outline
EC1101: Principles of Economics
2019/20

Course overview

EC1101 is a first-year undergraduate course in how the economy works. The course is suitable for students with or without A-Level economics or equivalent. We will cover the basic theories of macroeconomics (that of the economy as a whole) and microeconomics (the behaviour of individuals, firms and governments and the interactions between them).

The course adopts the CORE approach to teaching Principles of Economics. The approach has three pillars which we rely on throughout the course:

1) Formulate a problem that our society is facing now or has faced in the past;
2) Build a theory to explain and solve the problem;
3) Evaluate the usefulness of the theory by using data observations and more novel theories.

Learning Outcomes

Upon completion of the course students will:

- be knowledgeable about how the global economy came to look as it does today;
- understand strategic interactions between individuals, firms and the government and be able to use economic models to analyse them;
- understand how the goods and assets markets underpin growth, inflation and unemployment and what role fiscal and monetary policy play in macroeconomic management;
- understand the theoretical basis to demand and supply, and the role of government intervention in individual markets;
- be able to demonstrate ability in solving economic problems by solving and manipulating a variety of simple diagrammatic and algebraic models in macro- and microeconomics;
- be able to evaluate models critically, including identifying the applications of, limitations to, and improvements in the models learned.
Prerequisites

None.

Course delivery

The course will be delivered through a weekly two-hour lecture and a weekly one-hour seminar. Specific learning topics and readings are assigned for each week. Lectures introduce the relevant economic questions and the formal tools and economic models that we use to answer them. Weekly seminars are aimed at practicing solving problems related to the topics covered in the lectures, as well as discussing relevant empirical evidence. Lectures and classes are complementary ways of achieving the learning outcomes in this course. To obtain a good result in the final exam students are advised to attend all lectures and to complete the problem sets each week before showing up in class.

Attendance will be taken in each seminar. Unsatisfactory attendance may result in a formal warning being issued to you, in line with the UG Handbook.

Weekly problem sets and other important information and materials are posted on the course’s Moodle page. The seminar leader can be consulted at the end of sessions and during their office hours, and is the easiest and best first point of contact for any queries about materials covered in the course. The lecturer is available for consultation with queries, which cannot be answered by your seminar leader, during the announced office hours.

In addition, the Department operates a Tutorial program to support your learning in this course; extra classes (led by Postgraduate students) will take place where students can ask questions relating to the previous week’s seminars and lectures. It is available on a sign-up basis. Participation is not obligatory, but it is expected that students struggling with the course attend. See the relevant notice board in the Horton Building for details and a sign-up sheet, or ask in the School Office.

Apart from the hours you spend in lectures and seminars each week our expectation is that during the term you will invest a minimum of 6 hours of your private time to this course per week, and more during reading weeks. This time will be used on reading the textbook and any additional reading materials, preparing for seminars, revising and improving notes, and reading news articles related to the course. If you do not commit this amount of time then you may fall behind. The instructors’ past experience indicates that this applies whether or not you have studied economics before.

Course assessment

- **3-hour unseen final examination** contributing 50% of the final mark, taken during the Exam term (around May, 2020). The exam will test your understanding of material covered in the course; your ability to manipulate diagrammatic and algebraic versions of the models you have learned; your ability to apply and criticize models in ‘real’ economic situations.

- **weekly homeworks** submitted through Moodle will be conducted throughout the year and will carry a weight of 10% towards the final grade. Within each term, two homeworks will be randomly selected for grading. Each graded homework will contribute 2.5% towards the final mark. The non-graded homeworks will be an excellent practice for the midterms and the final exam. Weekly submission is mandatory. Deadlines will be announced in due course.

- Each term, there will be a one-hour **midterm exam**. Each will carry a 20% weight towards your final grade.
Use your lecture notes, seminar exercises, textbook and additional materials for regular study, and preparation for tests and exams. You should also learn to use associated websites (see below).

**Exams:** Both midterm and final exams will be closed book, closed notes exams. They will cover the material discussed in lectures and seminars and will test your knowledge and understanding of the material covered in the course, and your ability to relate the material to contemporary economic events. The exams will feature a mix of multiple choice and open-ended questions.

**Assessment dates:**

- Online assignments: weekly, announced during the lecture and on Moodle;
- Midterms:
  - 11.11.2019, week 8 on Monday (after reading week), and
  - 03.03.2020, week 24 on Tuesday;
- Final: May or June 2020, during the Summer term.

**Make-up examinations:** It is your responsibility to arrive at the exam on time. Students who arrive late will not be given additional time, and anyone arriving after other students have finished will not be permitted to take the exam. Failing to take a scheduled examination will result in a score of 0. ‘Make-up’ examinations are not allowed, unless the student has been missing for proven medical reasons or extenuating circumstances announced before the exam through a rigorous administrative procedure (See UG Handbook). No exam will be made-up after it has been graded and returned to the class.

**Academic Integrity:** Cheating and plagiarism on exams and online assignments will be dealt with using the procedures set out in the UG Handbook.

**Reading**

**The main textbook** for the course is *The Economy* produced by the CORE-ECON team. All lectures, problem sets, seminar exercises and exams will be based on material covered in *The Economy*. Make sure you register as a student on [https://www.core-econ.org/](https://www.core-econ.org/) to gain full access to the class readings. Then, come back to the website on a weekly basis to catch up.

A device-friendly reading version can be found through the CORE app: [https://www.core-econ.org/our-apps/](https://www.core-econ.org/our-apps/)

**A supplementary text** provides valuable additional viewpoints on some of the issues covered in class. If you would like to expand your views on the class topics, please consult the following text: Mankiw, N. and M. Taylor (2014, Third Edition) Economics, Cengage Learning. Numerous copies are available in the library. However, note that this is only a supplementary text.

**Course website**

Course materials will be provided on the course Moodle page.
Tentative Schedule

**AUTUMN TERM**

**The economy**

*Unit 1.* The capitalist revolution: How the global economy came to look as it does today.

**Economic decision making**

*Unit 2.* Technology, population and growth: How improvements in technology happen, and how they affect our lives.

*Unit 3.* Scarcity, work and choice: Doing the best you can, given your own constraints.

**Economic relationships and interactions**

*Unit 4.* Social interactions: Doing the best you can, given what others do: social dilemmas, self-interest, social interest, altruism, fairness.

*Unit 5.* Property and power: Doing the best you can, given what others do, and given the rules of the game: institutions, bargaining power, Pareto efficiency.

*Unit 6.* The firm as a stage: Social interactions between owners, managers and employees.

**Markets**

*Unit 7.* The firm as a market participant: How do firms produce and maximize profits.

*Unit 8.* Supply and demand: price setting, price taking and competitive markets.

**Special topics (CAPSTONE units): topic-focused applications of models**

*Unit 17.* One hundred years of economic history from the Great Depression to the global financial crisis, and beyond.

*Unit 22.* Politics, economics, and public policy.

**SPRING TERM**

**Markets (continued)**

*Unit 9.* The labour market: From wage-setting (Unit 6) and price-setting (Unit 7) to the whole economy.

*Unit 10.* Banks, money and the credit market: Consumption smoothing; borrowing and lending; incomplete contracts; money and banks.

**Market dynamics, how markets work, or may not work**


*Unit 12.* Markets, efficiency, and public policy: Property rights, incomplete contracts, externalities.

**The aggregate economy in the short and medium run**

Unit 14. Unemployment and fiscal policy: Components of aggregate demand, multiplier, demand shocks, government finance, fiscal policy.

Unit 15. Inflation, unemployment and monetary policy: the Phillips curve, expectations and supply shocks, inflation targeting, transmission mechanisms of monetary policy.

The aggregate economy in the long run


Special topics (CAPSTONE units): topic-focused applications of models

Unit 19. Economic inequality.

Unit 20. Economics of the environment: Environmental sustainability and collapse.