



Introduction to Economics

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국제학과 Pierfrancesco Moscuza 교수

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Rationale:

Economics is one of the four main social sciences and probably the one that more closely affects the life of each one of us. Every day we interact with other human beings through economic relations, sometimes formally some others in informal ways. Probably, at least once in life, we all have asked ourselves why there are economic crisis and why we should suffer for them. This course will try to answer these questions by learning the workings of economics and the theories that explain it.

For this class students will be required to participate actively and regularly; to work on their own and in groups; to study and understand economic theories; to analyse and understand the political decisions of main actors and the economic consequences of them.

The International Colleges' programs have a global and multicultural focus. Our mission is to prepare the students for the challenges posed ahead by the contemporary globalised world through the interdisciplinary study of the historical, political, economic, legal and cultural factors that shape it. A degree from the International College provide the students with knowledge and training necessary to be successful professionals in business, governance, and the non-profit sector both nationally and internationally. It also prepares students for further graduate studies in the fields of international relations, political science, economics and business administration.

Course Description, Purpose, Student Learning Outcomes and Assessment

This course provides the students with the analytical tools needed in order to understand how micro and macroeconomics work. Specifically, this course will analyse: how economic decisions are taken, why they differ from country to country and which ideological, rational or political motivations lay behind them. This is an introductory course that will help the students in subsequent studies in business and economics related courses. The objectives stated above will be achieved through: the study of economic theories and of the historic evolution of economic systems and economic relations amongst all the different actors present in today's world. Students are required to participate in class seminars and to lead panel discussions on assigned reading topics. They will also be required to choose particular subject areas to develop their expertise, conduct oral presentations and submit a research essay approved by the teacher.

The basic student competencies in order of importance are:

1. Critical and analytical skills

- Critical thinking skills when dealing with problems related to economics in both academia and real life business situations.



- Analytical skills when dealing with complex economic problems at both the micro and macro level that need elaborated solutions.
- Problem diagnosis and solution will be the result of both the previous skills and will be developed through the study and analysis of specific case studies.

2. Professional competence

- Understanding the complexities of the contemporary globalised economy at the national, regional, international and global level.
- Develop a complete knowledge of all the theories of micro and macroeconomics in order to be able to understand all the phenomena of contemporary economics
- Acquire a thorough understanding of all the structure and processes of the national and international economic systems.
- Understanding the management and operational requirements of a successful business operation according to the basic principles of economics, which include: banking; government relationship; fiscal policies and obligations; public and private partnerships; international trade; national and international joint-ventures; complex economic, monetary and financial operations at both the national and international level.

3. Teamwork competence

- Work with team members to develop strategies to deal with common economic problems of the modern globalised economy.
- Demonstrate leadership skills and the ability to transfer these skills in a diverse team environment.
- Cooperate with team members to find solutions to different problems or to develop successful economic strategies for specific business situations.

4. Global competence

- Understand and demonstrate business ethics and sensitivities in a multicultural environment.
- Develop a culture of respect towards the global civil society and the global stakeholders with a strong emphasis on the issues of human rights, labour and trade union relations, and respect for the environment.
- Designing innovative solution to existing economic problems such as, environmental degradation, demographics imbalances, labour exploitation, extreme socioeconomic inequality, economic imbalances, market failures, and economic and financial crisis.

5. Communication competence

- Learning to communicate with other team members in English developing at the same time an understanding of global economic and financial terminology.
- Presenting economic information, data and business schemes to the class in English.



- Debating, compromising, and arriving at solutions when given business problems in English

6. Specific Learning Outcomes of the course

Upon successful completion of the course, students will be able to:

- 1) Develop social interaction skills for making a more positive impact on group cohesiveness and group work.

Assessment Methods: Class participation, discussions, group exercises.

- 2) Acquire a greater understanding of political and economic issues related to the workings of states, international organizations, such as:
 - a. The interaction of national governments in the International Monetary Fund, The World Bank and the World Trade Organization
 - b. The economic factors that motivates the foreign policy decision-making process
 - c. The linkages between domestic, regional and international economy
 - d. The political and economic instruments used to guarantee global economic stability.

Assessment Methods: Class participation, group exercises, discussions, case studies, reading assignments, essay composition and final examinations.

- 3) Acquire a more advanced knowledge of mainstream theories in the study and analysis of micro and macroeconomics.

Assessment Methods: Class participation, group exercises, discussions, case studies, reading assignments, essay composition and final examinations.

- 4) Recognize the economic cause of international, regional and sub-regional conflicts.

Assessment Methods: Class participation, group exercises, discussions, case studies, reading assignments, essay composition and final examinations.

- 5) Gain experience in presenting information to a wide and not always friendly audience by:

- a. choosing the appropriate language, understanding the dynamics of publicly expressing themselves both verbally and in writing,
- b. importance of body language, tone manner, active versus passive listening,
- c. gaining acceptance for ideas,

Assessment Methods: Class participation, group exercises, engagement in group discussions, oral presentations.

- 6) Develop an understanding of the required research skills, critical thinking, and writing skills based on:
 - a. the rational and logical construction of theory-building,
 - b. methodology,
 - c. gathering primary and secondary research data,
 - d. formatting a written formal style in papers or research essays.



Assessment Methods: Class participation and discussions; reading assignments and general academic papers such as, books and journal articles; compose written assignment.

Instructional Strategy

This three-credit course is designed for non-native speakers of English who wish to develop further technical and communications skills that will be used in an actual workplace environment. Since it is open to students of all ages, no prerequisites are required, and the course itself is not a prerequisite for any other course.

Module 1: An Introduction to Economics

Topic 1.1: The Fundamentals of Economics

What is economics? Why study economics?

Scarcity and efficiency: the two basic problems of economics

Differences between micro and macroeconomics

The logic of economics

Rational thinking: the basis for the development of economics.

Rational and irrational behaviour in consumers

Topic 1.2: The Three Modern Economic Systems

Market economies: (Liberal and Neoliberal)

Command economies (Socialist, Communist and Autocratic-Nationalist)

Mixed economies (The synthesis of contemporary postmodernity)

Topic 1.3: Elements and Limits of Economic Production

Inputs and outputs (elements of production)

The production-possibility frontier (limits of production)

Module 2: The Mainstream Contemporary Economic System

Topic 2.1: The Role of the Market in modern economy

The market mechanism: what is it and how it works.

How markets solve the three economic problems of: What? How? For whom?

The ‘Invisible Hand of the Market’ (Adam Smith’s theory)

Topic 2.2: Money, Capital and Trade

Trade, specialization, and division of labour



Money: the necessary tool for trade and exchange

Capital and private property: an historical overview and their role in modern economics

Module 3: Demand and Supply in market economy

Topic 3.1: The General Law of Demand and Supply

What is demand?

The demand curve

Market demand

Forces behind the demand curve

Shifts in demand

Topic 3.2: The General Law of Demand and Supply

What is supply?

The supply curve

Forces behind the supply curve

Shifts in supply

Topic 3.3 Equilibrium of Demand and Supply

Equilibrium of the demand and supply curve

Effect of a shift in demand and supply

The reasons for changes in price and quantity

The effect of price changes in the demand and supply

Module 4: Elasticity of Supply and Demand

Topic 4.1: Price Elasticity of Demand and Supply

Price elasticity of demand

Calculating elasticities

Elasticity and revenue

The paradox of the bumper harvest

Price elasticity of supply

Topic 4.2: Applications of the Price Elasticity to Major Economic Issues



The impact of state subsidies on the price elasticity of demand and supply

The impact of taxation on the price and quantity produced of a good

State intervention in the economy: prices and wages control, maximum ceilings and minimum floors

The economic impact of state intervention on minimum floors and maximum ceilings

The minimum wage controversy

Module 5: Demand and Consumer Behaviour

Topic 5.1: Choice and Utility Theory

Marginal utility

Law of diminishing marginal utility

Topic 5.2: Derivation of Demand Curves

The demand curves slope

Downward equimarginal principle

Topic 5.3 Substitution Effect and Income Effect

Substitution effect

Income effect

Demand shifts

Substitutes and complements

Topic 5.4 Value and Surplus

The paradox of value

Consumer surplus

*****Mid-Term Examination*****

Module 6: Production and Analysis of costs

Topic 6.1: Theory of Production and Marginal Products

The Production function

Total, average, and marginal product

The law of diminishing returns



Returns to scale

Productivity and the aggregate production function

Topic 6.2: Economic Analysis of Costs

Total cost: fixed and variable

Definition of marginal cost

Average cost

The relation between average cost and marginal cost

Diminishing returns and u-shaped cost curves

Marginal products and the least-cost rule

Module 7: Macroeconomics overview

Topic 7.1: Basic Macroeconomic Concepts

The origins of macroeconomics

Goals and objectives of macroeconomics:

- a) economic output control (GDP/GNP);
- b) employment and unemployment control;
- c) price stability (inflation/deflation control)

Elements of macroeconomic analysis:

- a) Aggregate demand
- b) Aggregate supply
- c) Aggregate price
- d) Aggregate output
- e) Macroeconomic equilibrium

Topic 7.2: Tools of Macroeconomics (Macroeconomics Policies)

Fiscal policy

Monetary policy

Social welfare

Module 8: Macroeconomic analysis and national economic management

Topic 8.1: Measuring Economic Activity

Gross domestic product and gross national product



Goods flow and earnings flow

National accounts derived from business accounts

The problem of “double counting”

Topic 8.2: The National Accounts

Real vs. nominal GDP: “deflating” GDP by a price index

Consumption

Investment and capital formation

Government purchases

Net exports

Gross domestic product, net domestic product, and gross national product

GDP and disposable income

Saving and investment

Module 9: Consumption and Investment

Topic 9.1: Consumption and Saving

Consumption, income and saving

The consumption function

The saving function

The marginal propensity to consume

The marginal propensity to save

The determinants of consumption

The national consumption function

Topic 9.2: Investment

Determinants of investments

Revenues

Costs

The investment demand curve

Shifts in the investment demand curve



Module 10: Business Cycles and Aggregate Demand

Topic 10.1: Business Cycles

What are business cycles?

Business cycles theories

Financial crisis and business cycles

Topic 10.2: Aggregate Demand Business Cycles

The theory of aggregate demand

The downward-sloping aggregate demand curve

Shifts in aggregate demand

Business cycles and aggregate demand

Is the business cycle avoidable?

Topic 10.3: The Multiplier Model

Output determined by total expenditures

The multiplier model

The multiplier model compared with the *AS-AD* model

Topic 10.4: Fiscal Policy in the Multiplier Model

How government fiscal policies affect output

Impact of taxation on aggregate demand

Fiscal policy multipliers

Impact of taxes

The multiplier model and the business cycle

The multiplier model in perspective

Module 11: The Contemporary Globalised Financial System

Topic 11.1: The Modern Financial System

The role of the financial system

The functions of the financial system

Financial assets and interest rates



Topic 11.2: Money in the Economic and Financial Systems

The history of money

Components of the money supply

The demand for money

Money's functions

The costs of holding money

Two sources of money demand

Financial assets and interest rates

Topic 11.3: Banks and the Supply of Money

How banks developed from goldsmith establishments

Fractional reserve banking

Final system equilibrium

Modern banking system

Topic 11.4: The Stock Market

Risk and return on different assets

Bubbles and crashes

Efficient markets and the random walk

Module 12: Central Banking and Monetary Policies

Topic 12.1: Central Banking and the Global Role of the Federal Reserve System

The Basic Elements of Central Banking: from early to modern days

The goals and function of central banking

Central banks and interest rates

The regulatory role of central banks over the national banking system

The dollar as the global currency for trade and exchange

Topic 12.2: The Monetary Transmission Mechanism

The Effect of Changes in Monetary Policy on Output

Interest rates and the liquidity trap



The effect of monetary policy on *AS* and *AD*

Challenges and limitations of monetary policies

Topic 12.3: Monetarism and Monetary Theories

Fundamentals of monetarism

The exchange equation

The velocity of money equation

The quantity theory of money and prices

Topic 12.4: Monetary Policies in an open globalised economic system

The international connections between national monetary policies and world economy

*****Final Examination*****