

INTRODUCTION TO ECONOMIC REASONING: PRINCIPLES OF ECONOMICS

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DESCRIPTION

The Economics course at the undergraduate level is an introduction to the main contemporaneous issues in economics. Its objectives are: to introduce the core concepts and the debates (both theoretical and empirical) that structure the discipline; to introduce quantitative methods for students who want to deepen their knowledge of economics; and to allow for a first specialization in some topics.

This course enables every student, even those who do not want to pursue economic studies, to have a good understanding and intuition of economic mechanisms and a good knowledge of historical facts, political-economy debates, and economic institutions. We will show that economic reasoning enables to better understand the current debates and challenges facing our societies, including in their political and social dimension (e.g., globalization, development, inequalities, unemployment, crises, finance...). The economics course also offers a rigorous theoretical toolbox for the analysis of recent empirical research.

The lectures and tutorials are consistent with the “CORE Economics” teaching project. Students are invited to register on the [eBook platform](#) that displays all the pedagogical material in an interactive form. The Moodle website of this course contains all the material, pedagogical tools and problem sets of the tutorials.

The goal is to provide students with the empirical and conceptual knowledge that is necessary to understand the economy. We focus in particular on six important questions:

1. What are the main issues in economics?

- How can we explain the wealth and poverty of nations and individuals?
- What are the sources of economic growth and innovation?
- How can we explain the persistence of unemployment, inflation, recessions and financial crises?

2. What are the foundations of individual choices and social interactions?

3. How can public policies foster social progress?

- Why does unemployment persist and why do inflation and deflation matter?

- What are the best policies to stimulate growth?
- Which policies enable to fight poverty and inequalities?
- Can fiscal and monetary policies stabilize the economy?
- What should be the ethical criteria in public policy decisions?

4. Who are the main economic agents?

- Individuals: how do selfish, altruistic and ethical aspects of human behavior affect the economy? How does this affect their decisions as workers, wage earners, consumers and savers?
- Firms: what shapes the organization and behavior of firms? What is the role of competition?
- Institutions: how do institutions work? How do they contribute to economic development?

5. What can markets do? (and what are they not able to do?)

- How do societies coordinate their economic activities?
- How do markets work, what are the sources of market failures?
- What is the role of the government in regulating markets and redistributing resources?
- Why are labor and credit markets different from other markets of goods and services?
- What are the costs and benefits of the global circulation of goods, capital and individuals?

6. How do economists produce knowledge?

- Is economics a science, and what does that mean?
- History of economic thought: what are the main debates, why do some disagreements persist?
- How are economic theories assessed?

MAIN READINGS

EBook CORE *The Economy / L'Economie* accessible on the website <http://www.core-econ.org> (online registration to access the eBook and the pedagogical material is free). PDFs in English and French of the main units are accessible on Moodle.

The lectures and the problem sets that will be corrected during the tutorials are all based on this online textbook. It is mandatory to read the relevant CORE units before each lecture. The units for each lecture are mentioned in the outline below.

All the questions of the problem sets come from CORE so it is necessary to read the relevant sections to be able to complete the problem sets.

OUTLINE OF THE LECTURES

Sessions

**Units in CORE
(pdf, 2016)**

1 Introduction to economics: Thinking like an economist

What is economics?

What are the big issues in economics: macro stylized facts (growth), and how do economists tackle microeconomic issues (causality)

1, 2

Concepts : capitalism and markets; growth; technology and innovation; inequalities and the State; economic model and evaluation

No tutorial

2 Long-term growth

The capitalist revolution

Innovation and technological progress

Why are some countries richer than others?

Institutions

1, 2

Concepts : economic models; understanding growth; introduction to the production function; introduction to institutions

Tutorial: session 1

3 Resources and strategic choices

Concepts : production function; indifference curves; choice under constraints; income and substitution effect

3

Tutorial: session 2

4 Social interactions and institutions

Concepts : social dilemma and game theory; social preferences: altruism and reciprocity; Nash equilibrium (e.g. climate change); Pareto efficiency; efficiency and equity; institution and surplus distribution; inequalities

4, 5

Tutorial: session 3

5 Firms, consumers and markets

Firms: structure and organization; employment contract and incentives; model of the wage curve. Example: the role of unions

Firms and consumers: price setting (cost function, profit maximization); gains from trade and surplus; price elasticity

6, 7

Competitive markets: supply and demand curves; price setting and market entry; gains from trade and market efficiency

Tutorial: sessions 4 and 5

6 Market failures

8, 9, 10

Concepts : disequilibrium and rationing (e.g. financial and labor markets); market failures; public economics and the role of the public sector. Example: economics of innovation

Tutorial: session 5

7 Financial market and labor market

Financial market : lending, borrowing, investment; money and financial assets; banking system; market failures

Labor market: market failures; job creations and destructions; Beveridge curve; institutions and performance of the labor market

6, 15, 11

Tutorial: session 6

8 Economic fluctuations, unemployment and fiscal policy

Concepts : origins of economic fluctuations; aggregate demand and 45° line; principle of the multiplier; fiscal policies; fluctuations and unemployment

12, 13

Tutorial: session 7

9 Economic fluctuations, inflation and monetary policy

Concepts : inflation and Phillips curve; inflation, aggregate demand and unemployment; monetary policy; central banks

14

Tutorial: session 8

10 The Nation in the world economy

Concepts : international trade; international economics; economic policy in an open world; European Union

16

Tutorial: session 9

11 The Great Depression, the golden age and the financial crisis

17

Tutorial: session 10

12 Inequalities and social justice

19

Tutorial: session 11

COURSE ASSESSMENT

The **final exam (3 hours, common to all students)** accounts for 1/3 of the final grade; a **continuous assessment** accounts for the remaining 2/3.

The continuous assessment is computed as follows: 1/3 of the grade for the midterm exam (3 hours mid-semester exam common to all students) and the remaining 2/3 will be decided by the teaching assistant of the tutorial using **at least two** different evaluations (for instance: grading of the discussions of the problem sets, small quiz and MCQ, debates in class, reading notes). One of the grades may be a tutorial participation grade, but it cannot account for more than 10% of the continuous assessment.

PRACTICAL MATTERS

The different pedagogical resources of the lectures (slides, videos of the lectures) and of the tutorials (problem sets, readings) will be accessible on **Moodle** in September. The video of the lecture will be online two days after the lecture. It will be divided into chapters a few days later.