

Economic Thinking in a Global Context (M-IM 1)

Syllabus

Prof. Dr. Stephan Huber

March 8, 2024

Learning Outcomes

After successful completion of the module, students are able to:

- describe the basics of economic reasoning and the concept of scarcity,
- discuss the use of the assumption of rationally acting individuals in economic theory,
- apply appropriate terminology, concepts, measures, and theories in economic contexts,
- analyse the outcomes of consumer and producer decisions in an economy,
- predict the consequences of exogenous shocks, and government actions at the aggregate level by applying basic economic concepts and theories,
- describe the welfare implications of international trade,
- identify the nature and causes of contemporary economic problems and issues for individuals, firms and governments, and discuss appropriate policies to solve them,
- apply mathematical models to international financial products.

Lecturer

Prof. Dr. Stephan Huber

- *Email:* Stephan.Huber@hs-fresenius.de
- *Office:* Building 4e OG3 (open space)
- *Office hours:* upon request, please use the [booking tool](#) to schedule an meeting.

Lecture Time and Place

Wednesday 7:30-9:00, building 4c room EG2/SR1

Module Content

The Scope and Method of Economics

- The Five Big Economics Questions: What? How? When? Where? Who?

- Eight Big Ideas of Economics (Every Choice is a Trade-off, Choice at the Margin, Voluntary Exchange, Market Failure and Government Action, Expenditure Equals Income, Living Standards and Productivity, Rising Prices, Unemployment)
- Sub-Disciplines of Economics
- How Economic Theories Are Developed and Empirically Tested

Production, Consumption, Growth, and Trade

- How to Measure Welfare
- Production Possibility Frontier and Growth
- Indifference Curves and Optimal Consumption
- Gains from Trade: Comparative and Absolute Advantage

Markets

- Elements of a Market (Supply, Demand, Price)
- Market Equilibrium
- The Optimal Allocation of Resources in Markets
- The Two Fundamental Theorems of Welfare Economics
- Perfect Competition and Sources of Market Failure

Behavioral Economics

- Characteristics of Decisions
- System 1 and System 2 Thinking
- Common Biases of Decision Making
- Rational Models of Decision Making
- Automated Decision Making

Financial Mathematics

- The Theory of Interest
- Exchange Rates and International Investments

Contemporary Economic Problems

- Inflation
- Business Cycles
- Trade Wars
- Global Warming

Workload

125h Overall

28h physical synchronous contact hours

35h guided private study hours

62h private study hours

Learning Material:

Can be found on [ILIAS](#)

Assessment Methods and Criteria

Students complete this module – which is worth 5/120 ECTS points – with a written exam of 90 minutes. A passing grade in this module is achieved when the overall grade is greater than or equal to 4.0. Past exams can be found [here](#).

Weekly Learning Plan

CPMK	Content	Readings
Introduction	We introduce the scope of economics, encompassing microeconomics and macroeconomics. We discuss fundamental economic principles and delve into concepts such as scarcity, choices, and opportunity costs. Additionally, we introduce the dynamics of demand, supply, and market equilibrium. The economic way of thinking and scientific methods are discussed and we cover essential mathematical fundamentals for effective economic analysis.	Lecture notes; Shapiro, MacDonald, & Greenlaw (2022, ch. 1, 2, 3); Mankiw (2024, pt. I)
How to Measure the Economy	We explore methods of measuring economic welfare, a crucial tool for analyzing an economy's performance and shaping policy decisions. Specifically, we quantify a nation's economic activity using the Gross Domestic Product (GDP), incorporating consumption, investment, government spending, and net exports. We examine how the GDP reflects changes in living standards over time and enables cross-country comparisons. We introduce the methodology for calculating a consumer price index and the real GDP and we address the possibilities and limitations of these measures. Additionally, we introduce how to measure and interpret trade balances.	Lecture notes; Shapiro et al. (2022, ch. 19, 22, 23); Mankiw (2024, pt. VIII, ch. 32)

CPMK	Content	Readings
How Markets Work	We provide insight into the basic functioning of markets, highlighting the interaction between demand, supply, and prices. We analyze consumer and producer decisions, and their effects on surpluses. With a focus on welfare, we examine the consequences of market interventions such as minimum wage and taxes, while emphasizing the role of competition. Additionally, we distinguish between quantity demanded and demand, as well as quantity supplied and supply. Moreover, we explore the ‘Aggregate Supply and Demand’ (AS-AD) model, a vital tool for understanding how changes in total production and spending influence economic equilibrium, aiding policymakers and economists in shaping effective fiscal and monetary policies.	Lecture notes; Shapiro et al. (2022, ch. 3, 5, 6, 7, 24); Mankiw (2024, pt. II & ch. 7, 8, 34);
Market Failure	We discuss the perfect market in detail and instances of market failure such as externalities of production and consumption. Moreover, we explore strategies to address market failure through political interventions. We also examine the sources of unemployment and methods to combat it.	Lecture notes; Shapiro et al. (2022, ch. 8, 9, 12, 13, 14, 21); Mankiw (2024, ch. 14, 15, 16, 28)
International Trade	We discuss the economic rationale for international trade, focusing on comparative advantage and analyzing supply and demand for exports and imports. We investigate the impact of trade barriers and policies like tariffs on welfare and we introduce the functions of the World Trade Organization (WTO).	Lecture notes; Shapiro et al. (2022, ch. 23, 33, 34); Mankiw (2024)[3, 9
Monetary International Economics	We discuss the foreign exchange market, exploring exchange rates, relative prices, and purchasing power parity, as well as international investments. Furthermore, we examine the roles of central banks and their influence on interest rates and prices.	Lecture notes; Shapiro et al. (2022, ch. 28); Mankiw (2024)[30, 31
Economies in the Short Run	We explore the determinants of short-run economic dynamics, with a focus on combating recessions. To achieve this, we employ the IS-LM model, which assesses the influence of demand and supply in the goods market. It also examines the interplay between the money market and the interest rate, a tool often adjusted by central banks.	Lecture notes; Blanchard & Johnson (2013, ch. 3, 4, 5)
Behavioral Economics		Lecture notes
Financial Mathematics		Lecture notes
Review		Lecture notes

Course Policy

- Punctuality is expected. Please arrive on time for class.
- Refrain from taking photos or recording during the class.

- Feel free to ask questions during the class or reach out via email (stephan.huber@hs-fresenius.de) after the class. Your inquiries are welcome and encouraged.

Syllabus Disclaimer

Please note that the syllabus is subject to change. While I will make every effort to inform you in advance of any modifications, there may be instances where adjustments are necessary to enhance the learning experience or address unforeseen circumstances. It is your responsibility to stay updated on any changes, so I recommend regularly checking the course announcements and your email for notifications regarding syllabus updates. Your flexibility and understanding in such situations are greatly appreciated.

Literature

Blanchard, O., & Johnson, D. R. (2013). *Macroeconomics* (6th ed.). Pearson.

Mankiw, N. G. (2024). *Principles of economics* (10th ed.). Cengage Learning.

Shapiro, D., MacDonald, D., & Greenlaw, S. A. (2022). *Principles of economics* (3rd ed.). OpenStax.

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