ECONOMICS

An Overview of the New Introductory Economics Course (Year 1)

Introduction to Macroeconomics

Introduction to Microeconomics

Core Finals Papers (Years 2 and 3)

Macroeconomics
Microeconomics

Optional Finals Papers*

British Economic History since 1870
Classical Economic Thought
Command and Transitional Economies
Comparative Demographic Systems
Econometrics
Economic Theory
Economics of Developing Countries
Economics of Industry
Economics of OECD Coutnries
Finance
International Economics
Labour Economics
Public Economics

*Please note that availability of teaching for the optional papers may vary depending on how the lectures and tutorials have been timetabled for each academic year.
Introduction to Macro-economics

The Course

This course of twelve (12) lectures is for those taking PPE Prelims, Mods in Modern History and Economics, Prelims in Economics and Management and the Joint Schools with Engineering. For those who are intending to continue with Economics it will provide an introduction to macroeconomic analysis, to be developed further in later years of the course. For those who will not study the subject further it is designed to provide a reasonably complete perspective, at an introductory level, on macroeconomic issues and how economic analysis tackles them.

The course will be directed throughout at students with and without A-level Economics.

The relevant part of the rubric for Introductory Economics in the Preliminary Examinations is:

- national income accounting, the determination of national income and employment, monetary institutions and the money supply, inflation, balance of payments and exchange rates.

Course Objectives

The course objective is to provide training in the principles of macroeconomics to enable students to analyse problems in the key areas using appropriate tools. The course aims to develop an understanding of these principles using verbal, graphical and simple mathematical techniques. The areas covered include employment, national income, the balance of payments, inflation, growth and business cycles, money in the macroeconomy and the use of macroeconomic policy in the closed and open economy. In addition to developing the theoretical principles the course introduces some empirical and institutional data for the UK and other major economies.

Introduction to Micro-economics

Course Objective

The objective of the course is to introduce students to the elementary theoretical and mathematical tools used in microeconomic analysis. At the end of the course students should be able (i) to understand and explain the tools, (ii) to use the tools to analyze simple problems in microeconomics, and (iii) to discuss the methods used.

The course is directed at students with and without A-Level Economics and at those with and without Mathematics A level (or the equivalents).
The relevant part of the rubric (taken from the *Examination Regulations*) for Introductory Economics in the Preliminary Examinations is:

Elementary economics including: consumer theory; producer theory; market equilibrium with perfect competition, monopoly and simple oligopoly models; factor markets; general equilibrium, welfare and externalities. Elementary mathematical economics: applications of functions and graphs, differentiation, partial differentiation, maxima and minima, optimisation subject to constraints.

**Finals Papers (2\textsuperscript{nd} and 3\textsuperscript{rd} year)**

**Macro Economics**

RUBRIC

Alternative macroeconomic theories and policy implications; aggregate consumption; aggregate investment; growth and fluctuations; productivity and the determinants of competitiveness; unemployment and inflation; balance of payments adjustment and exchange rates; monetary and fiscal policy; international aspects of macroeconomic policy.

Applied issues are to be studied mainly in the relation to the UK and its membership of the European Union, but the opportunity will be given to the candidates to show knowledge of other OECD countries.

**Micro Economics**

Rubric

‘Risk, uncertainty and information; the firm and market structures; welfare economics, externalities, public goods and the sources of market failure; the distribution of income; trade and protection; applications of microeconomics to public policy issues.'

**British Economic History Since 1870**

Rubric

Trends and cycles in national income, factor supplies, and productivity; changes in the structure of output, employment, and capital; management and entrepreneurship; the location of industries, industrial concentration, and the growth of large firms, prices, interest rates, money, and public finance; wages, unemployment, trade unions, and the working of the labour market; the distribution of incomes, poverty, and living standards; foreign trade, tariffs, international capital movements, and sterling; Government economic policy in peace and war.
Classical: Economic Thought

Course Objective

The aim of the paper is to give an in depth understanding of the distinctive features of classical economics, focussing on the writing of Adam Smith, David Ricardo and Karl Marx. The stress is on the classical analysis of the nature of a market economy, the source and significance of profits and the dynamics of economic growth. The key texts are studied in detail, together with subsequent commentaries and controversies.

The Rubric

The theories of value, distribution, money, international trade and growth of Smith, Ricardo and Marx.

Command and Transitional Economies

COURSE OBJECTIVES AND CONTENT

The goals of this course are to teach students about: the theory and functioning of the traditional command economy (about 20% of the course); attempts to reform the command economy in the direction of market socialism (20%); the complex process of building a market economy in the transition period from 1990 onwards (60%). The first part of the course will introduce the main variants of the command economy in the USSR, Eastern Europe and China and examine issues such as central planning, industrialization strategy, and the shortage economy. The second subject area includes perestroika (1985-91) in the USSR under Gorbachev, the New Economic Mechanism in Hungary, and post-1978 reforms in China. The third area comprises the theory of the transition from command to market economies, as well as policies and economic developments in the major countries after 1989 (e.g. economic success in Poland and China, recurrent economic crises in Russia). Topics covered include macroeconomic stabilization, price and foreign trade liberalization, mass privatisation of state owned enterprises, financial sector reform, and developments in the social safety net (e.g. the medical system). A contemporary topic covered in this section is the economic integration of the advanced East European countries (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia) into the EU.

Throughout the course emphasis will be placed on knowledge of theory, economic policies and basic institutions, rather than the details of the economic history of specific countries. The main countries studied in the transition period are Russia, Poland, Hungary, Czech Republic and China. Although most questions in the exam will deal with the Soviet Union/Russia and Eastern Europe, at least two will relate fully or partially to the economy of China.

Econometrics

Regression and correlation; interpretation, estimation, and prediction in single
equation two- and three-variable linear models, including test of significance and goodness of fit, problems of bias, multi-collinearity, and autocorrelation. Simultaneous equations problems: reduced form, identification.

Application of econometric methods including the estimation of consumption functions, demand analysis, production functions, macroeconomic policy models

**Economic Theory**

Theoretical aspects of economic analysis with applications to topics such as: producers, consumers and general equilibrium; uncertainty and contracts; game theory; welfare and social choice; foundations of macroeconomics; growth theory.

**Economics of Developing Countries**

Theories of growth and development. Poverty and income distribution. Human resources. Labour markets and employment. Industrialisation and technology. Agriculture and rural development. Monetary and fiscal issues; inflation. Foreign trade and payments. Foreign and domestic capital; economic aid. The role of government in development; the operation of markets.

**Economics of Industry**

The economics of industry is concerned with the behaviour of firms. This course covers both theory and applications. The objectives of this course are to provide an understanding of

1. the theoretical foundations of firm decisions regarding pricing, product differentiation, advertising, entry, mergers and takeovers, innovation, vertical integration, and organization
2. the welfare implications of firm behaviour
3. strategic firm behaviour, its effects on other firms
4. inappropriate firm behaviour and the design of public policy responses
5. methods of determining and analysing firm behaviour through the use of data.

**Economics of OECD Countries**

RUBRIC

The rubric for this paper is: Main phases of development since 1945. Institutional framework of policy formation; conduct of demand management policies; the welfare state and public expenditure; experience of policies and strategies. The behaviour of major macroeconomic aggregates; the labour market and industrial
relations. Development of external trade and financial relations; competitiveness and exchange rates; economic integration and the international coordination of economic policies.

Questions will be set requiring knowledge of one or more of the following countries; France, Germany, Italy, Japan, UK and US. Candidates will be expected to answer at least one question (out of three) from Part A.

Part A. Comparative analysis of the OECD countries

Part B. The Major Areas

Section 1: Western Europe
Section 2: the United States
Section 3: Japan

CONTENT AND STRUCTURE

This course examines the comparative economic performance of the main OECD countries in Western Europe, as well as the USA and Japan. The course focuses on long-term growth and productivity performance, and analyses the main explanations of differences across countries and over time. The course also considers a series of policy issues that arose after the growth slowdown of the early 1970s. These include the rises in both unemployment and inflation, as well as the differences across countries in the extent of these increases and their duration. The course also addresses the problems of specific countries, such as the sustainability of the European Social Model, the 'New Economy' in the USA, and the length and severity of the Japanese recession. In the examination of these problems, the course also sheds light on the relative performance of different varieties of capitalism.

Finance

Objectives

The Finance elective is a comprehensive introduction to topics in finance including both an asset pricing component and a corporate finance component. In asset pricing, topics will cover foundational lectures on expected utility theory and models of financial market equilibrium. We will then discuss the pricing of derivative securities and aspects of financial market efficiency. The corporate finance component will cover aspects of capital budgeting, discounted cash flow and capital project appraisal methods and issues relating to the cost of capital. Methods of company finance, capital structure, dividend policy will also be covered along with an introduction to mergers and acquisitions.
Rubric


International Economics

OBJECTIVES

The objectives of the course are to provide an understanding of:

1. the determinants of international trade, including the implications of imperfect competition in international markets;
2. the cases when a protectionist policy towards international trade may be appropriate;
3. the fundamental determinants of the balance of payments and exchange rates; the theory and evidence relating to exchange rate behaviour and to alternative exchange rate arrangements;
4. the international context within which domestic macroeconomic policy is designed and conducted; international macroeconomic linkages; and the importance of international macroeconomic policy co-ordination.

RUBRIC


Labour Economics

COURSE OBJECTIVES, SYLLABUS, CONTENT AND STRUCTURE

Objectives: The aim of the paper is to understand: the behaviour of employees and employers and of collective groups which they may form; how the labour market works and the macroeconomic and distributional outcomes it produces;
the policies and practices of organisations towards their employees; government policy towards labour issues. Most of the topics can be studied from an international perspective.

Syllabus: For those taking Finals in 2005 and 2006, the formal syllabus in the Examination Decrees and Regulations states: "The organisation and policies of trade unions and employers' associations; problems of employee involvement and attachment; employer-employee relations, with special reference to industrial co-operation and conflict; the theory and practice of collective bargaining, including the role of government and the impact of work groups on the bargaining process. The application of economic analysis to labour markets; economic aspects of trade unions; the economics of labour policy, including incomes policies; factors affecting the distribution of income".

For subsequent years, a revised rubric is being proposed:

"Employer-employee relations; human resource management including the role of government; trade unions and other collective groupings; the theory and practice of collective bargaining; the application of economic analysis to labour markets; economic aspects of trade unions; the economics of labour policy; factors affecting the distribution of income."

Content and Structure: For PPE students this paper counts as either an Economics or a Politics special subject. Partly because of this, it encompasses a wider range of topics than many other special subjects. Accordingly a rather bigger choice of questions is available on the Finals paper. The paper is not sectionalised and your choice is not restricted by whether you are deeming this an Economics or a Politics option. The reading list below covers a set of the more popular tutorial topics. It is for the students and their tutors to select weekly essay topics from the list below. Suggested essay titles are provided for each topic, but these are only suggestions and the final decision is up to you and your tutor.

Public Economics

Objectives

Public Economics is a wide-ranging discipline, being concerned with most aspects of economic policy. This course covers both principles and applications. The objectives are:

to provide an understanding of:

1. the welfare theoretic foundations of policy analysis, and the constraints on government action;

2. the considerations that are involved in the design of specific taxes, and the
implications for the relation between aggregate revenue and spending;

3. the rationale for the major categories of public spending;

4. the design of policies in response to market failure;

and to encourage:

5. a critical appreciation of the strengths, weaknesses and consequences of the types of taxation and expenditure system which arise in practice, mainly but not exclusively in relation to the UK.

Rubric (for students taking finals in 2006)

Welfare-economic foundations; the measurement of wellbeing; taxation and incentives; debt and behaviour over time; commodity taxation; taxation of persons; taxation of companies; cost-benefit analysis; health; education; social security; jurisdictional issues; public goods, externalities and market failure; policy towards natural resources and the environment.

Rubric (for students taking finals in 2007)

Welfare-economic foundations and the measurement of wellbeing; income taxation and labour supply; commodity taxation; debt and taxation over time; savings, investment and pensions; taxation of companies; health; education; inequality and income transfers; cost-benefit analysis; local public goods and jurisdictional issues; multilateral externalities; policy towards natural resources and the environment; public expenditure and political economics.