



School of Economics and Management

NEKA11, Economics: Level 1, 30 credits

Nationalekonomi: Grundkurs, 30 högskolepoäng

First Cycle / Grundnivå

Details of approval

The syllabus was approved by The Board of the Department of Economics on 2007-03-07 to be valid from 2007-09-01, autumn semester 2007.

General Information

Language of instruction: Swedish

Main field of studies

Economics

Depth of study relative to the degree requirements

G1N, First cycle, has only upper-secondary level entry requirements

Learning outcomes

1 Knowledge and understanding a) Microeconomic Theory and Applications Students shall be able to: * use basic microeconomic models, * give an account of the main questions and problems within economics, * explain how prices are determined and resources are allocated in a market economy with different levels of competition, * discuss the long-term effects of economic changes by taking behavioural changes and changing equilibrium prices into account, * give an account of the Swedish public sector, its scope and dimensions, * generalise their knowledge to economic problems that have not been treated during the course. b) Macroeconomic Theory and Economic Policy Students shall be able to understand and give an account of: * basic macroeconomic terminology, * the fundamentals of the national and financial accounts, what they mean and how they can be used, * how unemployment and inflation are measured and the problems involved in measuring these two phenomena, * the costs of unemployment and inflation to the aggregate economy, * the short and medium term connection between unemployment and inflation, * the factors that affect long-term inflation, * the benefits to the economy of financial intermediaries, * the different types of unemployment and the most important principles behind the functioning of the labour market seen from a macroeconomic perspective, * certain labour market policies and how they have been applied in Sweden, * the most important factors underlying long-term GDP growth, * the

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syllabus approved in Swedish

development of Sweden's long-term growth, * how money is created and its role in the economy, * the role of the central bank in monetary policy and its importance to interest rates, * how the Swedish central bank (Riksbanken) affects the economy, * the factors that affect the long-term exchange rate, * the effect of changes in the exchange rate in an open economy, like the Swedish economy, * the Keynesian model and its implications for the short-term development of the macroeconomy, * the basic macroeconomic model and its implications for the medium term development of the economy, * how fiscal policy and monetary policy affect the economy, * advantages and disadvantages of different macroeconomic policies, * Sweden's macroeconomic policy goals, * how the most important Swedish economic institutions function and their limitations, * advantages and disadvantages of fixed and floating exchange rates and of monetary unions like the EMU, * EMU's implications for the economy. c) Financial Economics Students shall acquire a basic: * knowledge of financial economics, * understanding of the role of the financial system in the economy, * understanding of the general function of financial markets, * knowledge and understanding of simple financial risk measures. d) International Economics Students shall: * be able to explain and illustrate the principle of comparative advantage and describe empirical evidence of how trade occurs due to relative productivities within different industries, * be able to explain how differences in the relative supply of production factors give rise to trade, and be able to analyse the arguments for free trade in spite of the fact that trade, through its effects on commodity and factor prices, creates both winners and losers, * understand how a combination of supply and demand determines trade patterns, the relationship between import and export prices and furthermore how changes in terms-of-trade affect welfare due to growth, transfers, tariffs and export subsidies, * be able to describe the role that different types of economies of scale play as an ever more important source of trade, and how industry-specific production technology affects trade patterns between countries, * be able to describe the differences between inter-industry trade and intra-industry trade and to understand what drives them and gives rise to their profits, * be able to explain how trade growth can benefit from international negotiations and agreements, * be able to describe the historic role that import limitations and export-promoting policies have played for the developing countries' strategy for economic growth, * understand how conflicts can arise between national interests and the application of common rules. 2 Applying knowledge and making judgments a) Microeconomic Theory and Applications Students shall have the ability to independently: * decide what microeconomic model is applicable to a given problem, * analyse free market processes, * understand and analyse the role of government in the economy, * place microeconomic theory in a scientific context. b) Macroeconomic Theory and Economic Policy Students shall have the ability to independently: * analyse a nation's economy with the help of data from national accounts, financial accounts and other macroeconomic data, * to analyse a given problem by choosing one of the macroeconomic models that were discussed during the course, * analyse the effects of different macroeconomic events on the economy as a whole, * analyse the effects that different economic policy measures have on the economy, * suggest appropriate economic policy measures to achieve given macroeconomic goals, * analyse and evaluate the macroeconomic development in Sweden since 1970 on an aggregate level, * analyse and discuss macroeconomics that are discussed in the news media and other macroeconomic events. c) Financial Economics Students shall have the ability to independently: * apply fundamental financial theory to real world problems, * use models and concepts to price simple financial instruments, * use elementary measures of financial risk, * show a certain proficiency in arithmetic, * identify problems and situations where they can apply the theories they have acquired, * solve problems using the theories they have acquired. d) International Economics Students shall have the ability to independently: * analyse why and how international trade affects the economy at large, * analyse how economies of scale, the choice of market system, product differentiation, and

industry-specific production technology affect the trade between nations, * use trade data to calculate simple measures of inter-industry and intra-industry trade, * analyse the causes and effects of capital and labour mobility between countries, and to understand the motivation behind the creation of multinational corporations, * estimate costs and profits of tariffs and other kinds of trade barriers in countries of different sizes and furthermore evaluate and identify welfare effects for a nation as a whole and for different groups of society, * be able to evaluate the gains and losses caused by preferential treatment and regional integration, * evaluate arguments for and against a departure from pure free trade that has been used as a strategy for industrial development by both developing and industrialised countries. 3

Communication skillsa) Microeconomic Theory and Applications Students shall be able to give an account of and discuss their microeconomic abilities. b) Macroeconomic Theory and Economic Policy Students shall be able to give an account of and discuss their macroeconomic abilities. Students shall improve their ability to communicate an analysis of a macroeconomic course of events to educated people in a written text. c) Financial Economics Students shall be able to give an account of and discuss the knowledge they have acquired of financial economics. d) International Economics Students shall be able to give an account of and discuss their abilities in international economics. For example, by applying trade theory the students shall be able to discuss the arguments for and against deviations from free trade policy that have been used by developing and industrialised countries as a strategy for industrial development. They shall also be able to discuss the role of the World Trade Organisation (WTO) as a forum for changing multilateral agreements and to discuss how conflicts can arise between national interests and the application of common rules. 4 Learning skillsa)

Microeconomic Theory and Applications Students shall develop the ability to pursue further studies in the subject. Students shall have the ability to analyse economic questions with a high degree of independence. Students shall also adopt a critical and scientific approach. b) Macroeconomic Theory and Economic Policy Students shall develop the ability to pursue further studies in the subject. Students shall develop the ability to analyse fundamental macroeconomic questions with a high degree of independence. Students shall increase their understanding of, and be able to analyse, economics as seen in the news and in political discussions. Students shall also adopt a critical and scientific approach. c) Financial Economics Students shall develop the ability to critically analyse common economic-financial issues and developments. Students shall also develop the ability to pursue further studies in the subject. d)

International Economics Students shall develop the ability to critically analyse common issues and development trends in international economics. Students shall also develop the ability to pursue further studies in the subject. 4Course Contenta) Microeconomic Theory and Applications (ECTS credits: 11) The sub-course starts with a short introduction to the central questions within economics followed by a presentation of the necessary institutions in a free market economy. The pricing problem is developed within a model of supply and demand. This model acts as a starting point for a deeper analysis of consumer and producer behaviour. Choice and decision making is analysed using preferences and utility functions. On the supply side, three alternative market structures are studied: perfect competition, monopolistic competition, and monopoly. The role of the government is analysed from three different perspectives: welfare economics, where the government corrects market failures; public choice, where the government is run by utility maximising politicians and bureaucrats; and new institutional economics, with a focus on owners' rights and transaction costs. No specific gender perspective is adopted in this sub-course. b) Macroeconomic Theory and Economic Policy (ECTS credits: 9) The sub-course starts with a short introduction to the central questions within macroeconomics followed by a presentation of some basic concepts, such as the national accounts, the financial accounts, unemployment and inflation. The sub-course then deals with the issue of long-term growth and the factors causing growth, an analysis of the labour market from a macroeconomic perspective, Swedish labour market policy, the role and function of money, the role of

the central bank in monetary policy and how the Swedish central bank (Riksbank) works, how inflation (the price level) and the exchange rate are determined in the long run, how the exchange rate affects an open economy like Sweden, the Keynesian model for short-run analysis of the economy, the AS–AD-model and the Phillips curve for medium term analysis of the economy, various macroeconomic events and their effect on the economy at large, the effects of macroeconomic policies (financial and monetary policies) on society, the connection between inflation and unemployment, different strategies for stabilisation policies, the macroeconomic goals that determine the Swedish economic policy, the most important Swedish institutions for the economic policy and functioning of the Swedish economy, some macroeconomic experiences to be drawn from the Swedish economy since 1970, and finally, advantages and disadvantages with different exchange rate regimes and monetary unions like the EMU. No specific gender perspective is adopted in this sub-course. c) Financial Economics (ECTS credits: 5) The sub-course starts with a description of the different roles of the financial system, followed by a survey of the most important financial markets and instruments including simple derivatives. Throughout the whole course special attention is given to the pricing of risk and risk management. The portfolio choice of a risk avert individual is thoroughly examined. The efficient market hypothesis and its role in making investment decisions is also discussed. Finally, corporate financing and dividend policy are discussed. No specific gender perspective is adopted in this sub-course. d) International Economics (ECTS credits: 5) The sub-course starts with a survey of the theories of international trade, an analysis of profits associated with international trade, and the effects of international trade on the price of goods and factor prices. Furthermore, theories of factor mobility are studied as well as the emergence of transnational corporations. The sub-course also treats the motives behind different trade policies and the effect they can have, and the framework and organisation of the international trade system. Finally, the role of trade policy and regional integration for trade and development is discussed. No specific gender perspective is adopted in this sub-course.

Course design

1. Teaching: a) "Microeconomic Theory and Applications": Tuition consists of lectures and seminars, b) "Macroeconomic Theory and Economic Policy": Tuition consists of lectures and supervised exercises, c) "Financial Economics": Tuition consists of lectures and supervised exercises, d) "International Economics": Tuition consists of lectures and supervised exercises. 2. Examination: There is separate examination for each sub-course. One part of the examination always consists of a written exam at the end of each sub-course. There will be further opportunities for examination close to this date. The examination of the sub-course "Microeconomic Theory and Applications" also consists of a written essay and internet-based tests. These two items give credits in the ordinary written exam and the written re-exam during the same term. The examination of the sub-course "Macroeconomic Theory and Economic Policy" also consists of compulsory home exercises, optional home exercises and an internet-based tests. The optional exercises and the internet tests give credits in the ordinary written exam and the written re-exam during the same term. The sub-course "International Economics" also consists of an optional home exercisethat gives credits in the ordinary written exam and the written re-exam during the same term. Other forms of examination can also be included to a greater or lesser extent in any or all of the sub-courses. 3. Limitations on the number of examination opportunities: – The University views plagiarism very seriously, and will take disciplinary action against students for any kind of attempted malpractice in connection with examinations and assessments. Plagiarism is considered to be a very serious academic offence. The penalty that may

be imposed for this, and other unfair practices in examinations or assessments, includes suspension from the University for a specified period.

Assessment

Subcourses that are part of this course can be found in an appendix at the end of this document.

Grades

Marking scale: Fail, Pass, Pass with distinction.

1. Grading: The official grading scale is Pass with Distinction, Pass, and Fail. 2. Weighting grades for different parts of the course. To receive the grade Pass with Distinction for the whole course it is necessary to pass all sub-courses and to obtain the grade Pass with Distinction for at least 18 ECTS credits. It is necessary to pass all the sub-courses to receive the grade Pass for the whole course. Grading using the ECTS-scale is determined as a weighted average of the grading for the four sub-courses. For each sub-course, a grade A is given the value of 5, grade B is given the value of 4, grade C is given the value of 3, grade D is given the value of 2, and grade E is given the value of 1. The weights for the sub-courses are: 11/30 for "Microeconomic Theory and Applications", 9/30 for "Macroeconomic Theory and Economic Policy", 5/30 for "Financial Economics", and 5/30 for "International Economics". For all ECTS-grades, at least grade E is required on each sub-course. If the grade Pass with Distinction is received for the whole course and the weighted average value is equal to or greater than 4.5, then grade A is received for the whole course. If the grade Pass with Distinction is received for the whole course and the weighted average value is less than 4.5, then grade B is received for the whole course. If the grade Pass is received for the whole course and the weighted average value is equal to or greater than 2.5, then grade C is received for the whole course. If the grade Pass is received for the whole course and the weighted average value is less than 2.5 but greater than or equal to 1.5, then grade D is received for the whole course. If the grade Pass is received for the whole course and the weighted average value is less than 1.5 but greater than or equal to 1, then grade E is received on the whole course. 3. ECTS-grades: For both the whole course and each sub-course ECTS-grades (A–F) are automatically reported in accordance with the grading from Point 1 and Point 2 above. 4. Grading scales for different parts of the course: –

Entry requirements

Students must fulfil the general eligibility for studying at a Swedish university. To be admitted to this particular course, students must also have "områdesbehörighet 4" (i.e. completed Swedish upper secondary school courses English B, Mathematics C and Social Studies A).

Subcourses in NEKA11, Economics: Level 1

Applies from H07

- 0701 Microeconomic Theory with Applications, 11,0 hp
Grading scale: Fail, Pass, Pass with distinction
- 0702 Macroeconomic Theory and Economic Policy, 9,0 hp
Grading scale: Fail, Pass, Pass with distinction
- 0703 Financial Economics, 5,0 hp
Grading scale: Fail, Pass, Pass with distinction
- 0704 International Economics, 5,0 hp
Grading scale: Fail, Pass, Pass with distinction
- 0705 Compulsory Excel Assignment, Macroeconomics, 0,0 hp
Grading scale: Fail, Pass