
POLITICAL ECONOMY

Law Degree
Academic year 2012-2013
Group: AR

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1. IDENTIFICATION

Subjet	POLITICAL ECONOMY
Degree	LAW DEGREE
Course/semester	<i>1st. Course / 1st.Semester</i>
Department	<i>APPLIED ECONOMICS</i>
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Examination dates	http://www.uv.es/dret

2. INTRODUCTION TO THE SUBJECT

The aim of the course is to introduce the foundations of economics as a social science and the basic operating principles of economics as a system that determines the allocation of scarce resources, the activities of production and distribution of income, as well as the role of government and economic policy. The subject addresses not only market's functioning as a coordinating mechanism of individual's economic decisions but also the mechanisms of collective decision through the political process. This dimension has particular relevance for lawyers in the process of developing basic skills to identify the economic effects of governments' regulatory activity. In short, it is intended the students understand the economic way of thinking, using economic concepts and the characteristic methodology of the economic analysis applied to social events which are relevant to law students.

The course content is divided into four parts.

The first one is devoted to the basics and conceptual framework of political economy. This is to introduce students to the methodological foundations of economics. It addresses the conceptual definition of economics as social science, key concepts such as scarcity, specialization and exchange and the economic systems as a coordinated decision making mechanism which determines social organization for goods production and income distribution.

The second part, titled *Microeconomics*, develops how market works as a resources allocation mechanism. We analyze the behaviour of individual economic agents, consumers and producers, and how the interaction between them allows us to explain

the operation of market mechanism and the outcomes of the different market structures in terms of economic efficiency. Last chapter of this part deals with market failures and the allocative role of public sector and the collective decision making mechanisms

Third part, *Macroeconomics*, focuses on economy at national level, examining the determination of significant aggregate variables, such as the level and rate of growth of the output (GDP), the inflation rate, the level of unemployment and the balance of payments. The analytical framework introduces the basic elements for understanding the fluctuations on economic activity and employment, the working of financial system, the relationship between monetary aggregates and economic activity and the theoretical foundations of macroeconomic policies. There is also a chapter devoted to the basics and causes of economic growth and the long run perspective

The last part deals with the so called *economic analysis of law*. The economic analysis methodology has been usefully applied to modelize human behaviour in the most diverse non-economic areas. The assumptions of rationality and market equilibrium are useful to explain the individuals' response to the incentives that legal standards introduce, just as market agents respond to incentives that price system conveys, as well as to evaluate the efficiency of the outcomes.

3. OBJECTIVES AND COMPETENCES

Through the study of Economics, students will develop

a) Knowledge and understanding about:

- basic economic concepts
- foundations of economic methodology
- the economic behaviour of consumers, firms, institutions and governments
- the function, operation and performance of markets and price
- market failures and the function of government in the economy
- the measuring and management of national economies and their fluctuations
- economic policies and their effects on national economies
- foundations of the Economic Analysis of Law

b) Skills to:

- investigate and engage in effective analysis, synthesis and evaluation of economic information from a variety of sources
- communicate economic information, ideas and issues in appropriate forms
- identify contemporary economic problems and issues facing individuals, firms and governments
- identify fluctuations in the global and European economies
- discuss appropriate policies to solve economic problems and issues

4. CONTENTS

PART I: CONCEPTUAL FRAMEWORK

CHAPTER 1. INTRODUCTION TO POLITICAL ECONOMY AND ECONOMIC SYSTEMS

1. Definition of Political Economy
2. Political Economy as Social Science
3. The Economic Problem: Scarcity and Choice
4. Production Possibilities and Opportunity Cost
5. Economic Systems and Taking Decisions Mechanisms.

PART II: BASIC MICROECONOMICS. ANALYSING HOW MARKETS WORK

CHAPTER 2. ANALYSIS OF MARKETS AND PRICE SYSTEM

1. The Market and the Allocation of Economic Resources
2. The Functioning and Advantages of the Market System
3. Demand: The Law of Demand, Demand Schedule and Demand Curve
4. Supply: The Law of Supply, Supply Schedule and Supply Curve
5. Market Equilibrium
6. Predicting Changes in Price and Quantity

CHAPTER 3. PRICE THEORY APPLICATIONS

1. Price Elasticity of Demand
2. Expenditure and Price Elasticity
3. More Elasticities of Demand
4. Elasticity of Supply
5. Government Actions in Markets. Price Controls, Production Quotas, Taxes and Subsidies.

CHAPTER 4. CONSUMERS' CHOICES AND DEMAND

1. Utility and Consumption Choices
2. Preferences and Indifference Curves
3. Consumption Possibilities
4. Consumer's Equilibrium
5. Consumer Surplus

CHAPTER 5. FIRMS AND THE ORGANIZATION OF PRODUCTION

1. The Firms and Its Economic Problem
2. Information and Organization
3. Investment Decisions in the Firm
4. Accounting Basics: Balance Sheet and Income Statement

CHAPTER 6. OUTPUT AND COSTS

1. The Production Function
2. Short-Run Technology Constraint: The Law of Diminishing Returns
3. Product Curves. Total Product, Average Product and Marginal Product
4. Short-Run Cost. Total Cost, Average Cost and Marginal Cost
5. Long-Run Cost: Economies and Diseconomies of Scale

CHAPTER 7. PERFECT COMPETITION MARKET

1. The Firm's Decisions: Maximizing Profit
2. Characteristics of perfect competition
3. The Firms' Supply Curve
4. Short-Run Equilibrium: Output, Price and Profit
5. Long-Run Equilibrium: Output, Price and Profit
6. Competition and Efficiency

CHAPTER 8. IMPERFECT COMPETITION MARKETS

1. Monopoly and How it Arises
2. Monopoly's Equilibrium: Price and Output Decision
3. Monopoly Regulation
4. Monopolistic Competition and Product Differentiation
5. Firm's Equilibrium in Monopolistic Competition
6. Oligopoly and Market Concentration
7. Interdependence and Oligopoly strategies
8. Antitrust Law and Competition Policy

CHAPTER 9. MARKET FAILURES AND GOVERNMENT INTERVENTION

1. Market Failures and Competition Failures
2. Public Goods and Externalities
3. Providing Public Goods
4. Efficient Public Provision
5. Bureaucratic Inefficiency and Government Failures
6. Individual choice and collective choice
7. Mechanisms of collective choice

PART III: MACROECONOMICS: GLOBAL AND NATIONAL ECONOMIES

CHAPTER 10. MEASURING ECONOMIC AGGREGATES

1. Measures of Economic Activity: Gross Domestic Product (GDP)
2. The Uses and Limitations of Real GDP
3. Measures of Employment and Unemployment
4. Unemployment and Full Employment
5. Measuring the Price Level: Inflation and Deflation
6. Balance of Payments

CHAPTER 11. ANALYSING MACROECONOMICS FLUCTUATIONS. THE AGGREGATE SUPPLY AND AGGREGATE DEMAND MODEL

1. Aggregate Supply: Short-Run and Long-Run Perspectives
2. Aggregate Demand
3. Short-Run Macroeconomic Equilibrium
4. Long-Run Macroeconomic Equilibrium
5. Keynesian Model: The Expenditure Multipliers
6. Fiscal Policy: Budget and Macroeconomic Equilibrium
7. The Limits of Fiscal Policy

CHAPTER 12. MONEY, PRICES LEVEL AND ECONOMIC ACTIVITY

1. Money: Concept and Functions
2. Financial Institutions and Financial Markets
3. The European Monetary Union and the European Central Bank
4. Monetary Policy: Objectives and Framework
5. The Conduct of Monetary Policy
6. Monetary Policy Transmission

CHAPTER 13. ECONOMIC GROWTH

1. The Basics of Economic Growth
2. Economic Growth Trends
3. Growth Theories
4. Economic Growth and Economic Policies
5. Economic Growth, International Trade and Globalization

PART IV. ECONOMIC ANALYSIS OF LAW

CHAPTER 14. ECONOMIC ANALYSIS OF LAW

1. The Economic Approach to Law
2. Rationality, incentives and Human Behaviour. The Economic Analysis of Crime
3. Efficiency and the Concept of Law
4. Property Rights, Liability Rules and Regulation
5. Economic Analysis of Public Regulation
6. Evaluation of Legal Rules and Institutions

5. METHODOLOGY OF TEACHING-LEARNING

Activities	Number of hours	Methodology
Assistance to classes, seminars and other activities on site (including tests and exams)	60 h	Master classes with debate in group and individual interventions.
Approach and resolution of problems Preparation of classes, works and tutorial activities using several online web tools.	50 h	Elaboration / presentation of individual works. Previous reading of educational material. Execution of tasks and practical. Assistance to tutorship.
Preparation of evaluation tests and exams	40 h	Comprehensive reading of materials. Summarizing texts. Solving questions.
Total	150	

6. ASSESSMENT SYSTEM

The evaluation and control of learning will focus on the whole contents of the subject. The assessment will take into account the results of the written tests, essays submitted, evaluated practices and exercises and participation in classes and seminars

- Final exam: There will be a final exam which counts for 70 % of the final grade. To pass the course is a prerequisite pass the exam with a score of at least 50% of the value of the test
- Continuous assessment: 30 % of the final grade will result from the evaluation of the problems, practices, tests and exercises, and on the assistance to the classes and seminars and active participation in the proposed activities.

Those students that have not participated regularly in the continuous assessment will be evaluated by the result of the global test, opened for every student enrolled in the subject. In such a case, the maximum final qualification that can be obtained will be of 7 points over a total of 10.

7. BIBLIOGRAPHY

BASIC REFERENCES

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- KRUGMAN, P., WELLS, R. (2012): Economics: International Edition, Macmillan.
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- PUCHADES NAVARRO, M. y MONTORO PONS, J.D.: Fonaments d'economia política. Una introducció per a no economistes, Servei de Publicacions de la Universitat de València, Valencia 2005.

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- DORNBUSCH, R., FISCHER S., STARTZ, R.: Macroeconomía, Madrid, McGraw-Hill 1999.
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- GARCÍA VILLAREJO, A. y SALINAS SÁNCHEZ, J.: Manual de Hacienda Pública general y de España, Tecnos, Madrid 1994.
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