BS0815: Business Economics

MODULE AIMS

Economics provides us with tools for analysing the world and aiding decision-making by businesses and governments. This module aims to give students an overview of many of these tools and of the insights that can be obtained with them, concentrating on those most relevant to businesses. This means that most of the lectures are on microeconomic topics, looking at the actions of firms and of individuals, but the module concludes with some coverage of macroeconomic problems and policies, looking at the economy as a whole. Students who complete this module should be able to use economic analysis to assess current economic issues and to support strategic thinking in a business context.

MODULE OBJECTIVES

Knowledge Objectives
On successful completion of this module, the student will have an understanding of:
- Consumers and demand
- Firms and their costs
- Markets working through supply and demand
- Models of firms in perfect competition and monopoly
- Oligopolistic decision making
- Game theory
- Macroeconomics, and aggregate supply and demand
- Money, banks and the financial system
- Macroeconomic policies
- International trade and exchange rates

Skills Objectives
The module will facilitate the students’ development of:
- Conceptual skills in an economic context
- Quantitative skills in an economic context
- Critical reasoning skills

LEARNING OUTCOMES

By the end of the module the students will be able to:
- Think in the terms concepts of a professional economist
- Apply economic analysis tools to analyse issues that arise in a business or political context
- Answer stylised quantitative questions in a business context
TEACHING METHODS

The module will consist of ten two-hour lectures, delivered over ten weeks. These are used to introduce the main topics – students are not expected to be passive note-takers, but will be questioned during the lectures. Some online resources to help in the analysis of economic models are also available and will be referred to during the module.

ASSESSMENTS

A piece of group coursework (30%):
• This will require students to apply concepts covered in the first half of the module to a particular company or industry of their choice

A two-hour Final Exam (70%) after the end of the module:
• The exam will consist of 20 multiple choice questions (no choice of questions, 50% of the marks for the exam), two short-answer questions (out of five, 25% of the marks for the exam) and one short essay question (out of three, 25% of the marks for the exam).

MODULE STRUCTURE

1. Introduction to thinking like an economist
   What is economics? We start by looking at how economists think about the world. We introduce the key concepts of incentives, equilibrium and opportunity cost, and describe the different kinds of economic data. We also discuss the demand for goods and services – what determines the amount of a product that consumers would like to buy?

2. Firms and their costs
   The next topic is firms and their costs of doing business. We introduce the concepts of marginal cost, supply curve – the amount that firms would like to be able to sell, and elasticity – how responsive one variable is to a change in another.

3. Markets in action: supply and demand
   We bring together the demand curve and the supply curve to show how markets determine prices. We introduce the concept of economic welfare, and show how taxes affect decisions.

4. Perfect Competition and Pure Monopoly
   We discuss two polar cases of market structure. In perfect competition, there are many firms in an industry, each of which tries to maximise its profits while taking the market price as given. In the opposite case of monopoly, there is just one firm, and it is able to choose its price. We will discuss the costs and benefits of such a market structure.
5. **Oligopoly and Game Theory**
   We show how we can analyse firms’ decisions when there are just a few firms in an industry. Because each firm’s actions will affect its competitors, it has to anticipate their reactions when deciding on its strategy. We introduce concepts from game theory, which provides a set of tools for studying cooperation and conflicts between agents.

6. **Governing Business**
   Governments intervene in the economy in many ways, and we will look at a few of the main areas of microeconomic intervention. Externalities exist when an agent does not bear the full consequences of their actions, such as pollution, but policies such as environmental taxes or tradable emissions permits can correct for them. Competition policy is used to ensure that firms compete fairly against each other.

7. **Macroeconomics**
   We turn to discussing the economy as a whole. How do we measure the level of economic activity, and what determines it? How are inflation and unemployment related to each other?

8. **Money, the Financial System and Aggregate Demand**
   What is the role of banks in the economy? What determines the overall amount that people want to spend?

9. **Macroeconomic Policy**
   How can governments try to affect the levels of output and of inflation? How can they attempt to raise the rate of economic growth in the longer run?

10. **The Global Economy**
    The final topic covers the interaction between an economy and the rest of the world – how international trade tends to follow the principle of comparative advantage, what the balance of payments is, and how exchange rates are determined.

**KEY TEXTS**


The content and organisation of the 4th edition is very similar, though the examples and mini case studies are different. There are many other introductory textbooks in economics, and I recommend that if you want a second book, or dislike the style of Begg and Ward, you browse in the library or a good academic bookshop to find one that suits you.

Other material will be posted online.