Engineering Tripos Part IIA, 3E1: Business Economics, 2019-20

Module Leader
Dr F. Schneider [1]

Lecturer
Dr F. Schneider

Lab Leader

Timing and Structure
Michaelmas term. 16 lectures and coursework.

Aims
The aims of the course are to:

- Introduce students to the use of economics to understand the operation and decisions of businesses, their industrial environment and the macroeconomy.

Objectives
As specific objectives, by the end of the course students should be able to:

- Understand and be able to work with the basic theory of demand and supply and market equilibrium.
- Understand the theory of the rational consumer and the derivation of individual and market demand curves.
- Understand the theory of the firm, including the various types of costs that the firm faces, the idea of profit maximisation and the equilibrium of the firm.
- Understand different forms of market structure, including perfect competition, monopoly and oligopoly.
- Understand simple game theory.
- Understand the arguments for the efficiency of markets and the assumptions on which these arguments depend.
- Understand the concepts of market failure, externalities and public goods, and the policies a government might use to deal with them.
- Understand national income accounting and the standard Keynesian macroeconomic model.
- Understand the main determinants of the different components of aggregate demand.
- Understand the possible impacts of monetary and fiscal policy.
- Appreciate the possible relationships between inflation and unemployment.
- Understand the relationship between exchange rates and the balance of payments.
- Appreciate some of the basic explanations of economic growth.
- Understand many of the arguments for and against a single European currency.

Content

Microeconomics (8L)

- Markets: The supply and demand framework.
• Understanding demand: The theory of the consumer.
• Understanding supply: The theory of the firm and different market structures.
• Strategic interaction: Game theory.
• Welfare Economics: The pareto criterion, market failure and the role of government.

**Macroeconomics (8L)**

• Conceptualising the macroeconomy.
• National income determination: consumption, saving and investment.
• National income determination: the government sector.
• National income determination: the foreign sector.
• Inflation and Unemployment.
• The balance of payments and exchange rates.
• Economic growth.
• Europe and the Euro.

**Coursework**

Coursework details (as discussed in class)

- Essay of about 3-4 pages
- Propose a well-defined market of your choice (e.g., minivans, apple cider, mobile phone providers)

**Booklists**

Please see the [Booklist for Part IIA Courses](mailto:fgs27@cam.ac.uk) [2] for references for this module.

**Examination Guidelines**

Please refer to [Form & conduct of the examinations](mailto:fgs27@cam.ac.uk) [3].

**UK-SPEC**

The [UK Standard for Professional Engineering Competence (UK-SPEC)](mailto:fgs27@cam.ac.uk) [4] describes the requirements that have to be met in order to become a Chartered Engineer, and gives examples of ways of doing this.

UK-SPEC is published by the Engineering Council on behalf of the UK engineering profession. The standard has been developed, and is regularly updated, by panels representing professional engineering institutions, employers and engineering educators. Of particular relevance here is the 'Accreditation of Higher Education Programmes' (AHEP) document [5] which sets out the standard for degree accreditation.

The [Output Standards Matrices](mailto:fgs27@cam.ac.uk) [6] indicate where each of the Output Criteria as specified in the AHEP 3rd edition document is addressed within the Engineering and Manufacturing Engineering Triposes.

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Links
[1] mailto:fgs27@cam.ac.uk