

Development and Well-being

Syllabus

Universidad de la República, Facultad de Ciencias Económicas y de Administración
2nd semester, 2021

Prerequisites

No specific courses required.

However, previous enrollment in Introduction to Microeconomics is strongly suggested.

Credits

10 credits (required for B.A. in economics and optional for B.A. in statistics).

Course overview and objectives

The course constitutes a first approximation of the student to the problems of development as foundation of well-being. It begins by incorporating traditional topics with historical references that contextualize the reflection: standards of life and their link with economic growth; the presence of dilemmas associated with the pursuit of different objectives faced by societies and their institutional resolution mechanisms; the distribution of resources and their links with conceptions of justice. Moreover, we analyze the possible problems of inconsistency between aggregate social welfare and the interaction of individual decisions, as well as potential public policy responses that would improve overall well-being.

It delves into substantive aspects of development that occupy prominent places in contemporary policy discussions, such as innovation, technological change and environmental challenges. The student will become familiar with ways of thinking about the decision making of companies and citizens in different contexts, collaborating to build the necessary analytical skills for professional and academic development in all areas of economic sciences.

Teaching modality and timetable

A theoretical-practical virtual teaching modality is proposed based on an inverted classroom design. A teaching model where students begin by working on the subject autonomously (watching the videos and reading the materials) before attending the synchronous virtual classes (by ZOOM). These synchronous classes will be used for activities, clarification of doubts and activities for reflection. The synchronous ZOOM classes will take place on Tuesdays and Thursdays and will last one hour. Four different schedules will be offered so that students can choose the one that best suits them.

Grading and requirements

Grades will be based on:

- Midterm exam: 36%
- Intermediary tests: 14%
- Group work: 20%
- Final exam: 30%

A minimum of 14% and 12% respectively in each exam, as well as 50% in the total sum of grades are required to pass the course. Students who don't meet the requirements will have to take a full (3 hour) exam with a minimum of 50% for approval.

Course plan

I. Presentation of the course and its methodology. Models of economic growth, technological change and population dynamics. (Chapters 1 and 2 of The Economy).

I.1 The Hockey Stick of history and its possible explanations: technology, population growth, labor organization and production.

I.2 Economic models: construction and analysis.

II. Social interaction between agents. (Chapter 4 of The Economy.)

II.1 Review of individual choice theory: preferences and budget constraint.

II.2 Strategic interactions between agents.

II.3 Social norms and institutions.

II.4 Game theory as a tool to identify and characterize possible social equilibria of different forms of social interaction.

II.5 Social Norms and Preferences.

II.6 The Role of Public Policy in Improving the Outcomes of Conflict and Cooperation Relationships.

III. Asymmetries in the distribution of wealth and power. (Chapter 5 of The Economy)

III.1 Distributional conflicts and welfare gains originating in the social interaction of agents.

III.2 Evaluation of social outcomes: equity and justice.

IV. Market imbalances, rent-seeking and pricing. (Chapter 11 of The Economy.)

IV.1 How prices change and how agents move.

IV.2 Financial asset markets and bubbles.

V. Market failures and their impact on well-being. (Chapter 12 of The Economy.)

V.1 Externalities and public goods.

V.2 Problems of natural resource use.

V.3 Incentive and diffusion of technological innovations.

V.4 Information Asymmetries and Incomplete Contracts.

V.5 Bargaining mechanisms and relative power.

V.6 Absence of Markets

V.7 Other sources of market failure: when price is higher than marginal cost.

VI. *Economy and environment.* (Chapter 20 of The Economy.)

VI.1 Market economies and the environment.

VI.2 Cost-Benefit Analysis of environmental damage.

VI.3 Conflicts of interest: negotiation on wages, employment and environment.

VI.4 Environmental Policy Alternatives.

VI.5 Evaluation of Environmental Policies.

VI.6 Economic Dynamics and Environmental Evolution: Technology and Future Lifestyles.

VI.7 Climate Change and Social Disjunctions for the Future.

VII. *Innovation and Technological Change.* (Chapters 16 and 21 of The Economy.)

VII.1 Economics of innovation: innovation processes, innovation systems, externalities, economies of scale, optimal property rights and patents, public financing of innovation.

VII.2 Technological progress and living standards: instability and growth, job creation and destruction, adjustment to shocks, productivity and employment.

VIII. *Economics, Politics and Public Policy.* (Chapter 22 of The Economy.)

VIII.1 State performance as a monopolist.

VIII.2 Political competition and its influence.

VIII.3 Models of Democracy.

Bibliography

Required textbook: *The Economy: Economics for a Changing World* (Spanish Version: *La Economía*). CORE Team and CORE. Economics Education Project, Oxford University Press, 2020.

The minimum required reading include the following chapters: 1, 2, 4, 5, 11, 12, 16, 20, 21 and 22.