



**NATIONAL UNIVERSITY OF ENGINEERING**  
**COLLEGE OF ECONOMICS AND STATISTICAL ENGINEERING**

**STATISTICAL ENGINEERING PROGRAM**

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**EA112 – ECONOMIC THEORY I**

**I. GENERAL INFORMATION**

<b>CODE</b>	: EA112 Economic Theory I
<b>SEMESTER</b>	: 1
<b>CREDITS</b>	: 4
<b>HOURS PER WEEK</b>	: 5 (Theory – Practice)
<b>PREREQUISITES</b>	: None
<b>CONDITION</b>	: Compulsory

**II. COURSE DESCRIPTION**

The course introduces the student in the management of the basic concepts of economic science to explain, at an initial level, the understanding of economics as the basis of the life of modern society: that is, of the capitalist system. The social relations on which its operation and its dynamics, its tendencies and its limits are structured so as to be able to address later, the study of the main economic problems of the Peruvian social formation in the context of the present world.

At the end of the development of the subject students must handle the basic instruments to analyze at an elementary level and explain the operation and problems of a small and open market economy, such as Peru, in the contemporary context, with a clear understanding of its foundations.

**III. COURSE OUTCOMES**

1. Examines the follow-up of the productive activity of its corollary economic surplus, as a condition sine qua non of the existence of human civilization. Distinguishes characteristics between traditional (pre-capitalist) economic organization and capitalist organization. Explains the transformation of the exchange in vital activity of the society, in the capitalism and identifies the aces of organization and operation of the system of market economy (SEM).
2. Recognizes the characteristic problems of a SEM, distinguishes the areas that make up the SME and distinguishes the methodological approaches for its study: Positive and normative economy. Identifies budgets, identifies and uses basic economic models: Border of production possibilities; Identifies Macro and Microeconomic visions of SEM. Distinguishes the measurement of the nominal and real aggregates / variable difference of Stock and flows / Performs short and long-term estimates of product and income aggregates. / Uses the concepts of GDP aggregates. Real and nominal GDP to derive the other aggregates of product and income.
3. Uses the concepts of productivity, its role and its determinants to explain differences in living standards between countries. Explains growth conditions and growth policies. Defines the roles of the Financial System and its structure and institutions. Use of national savings and investment accounts to analyze the problems of accumulation.
4. Explains the concept of money, its characteristics and its functions. It distinguishes the effects of primary issuance and secondary expansion to regulate the money supply. Discusses the relationship between the price level and the value of money. It uses the concepts of tax,

inflation and Fisher effect, to estimate effects of inflation on the interest rate. Explains the costs of inflation for the public.

5. Describes the international movements of goods and capital. It uses the relationships between real and nominal exchange rates to establish exchange parity. Analyzes the effects of economic policy on the open economy.
6. Recognizes the relevant expressions of the short-term economic cycle in a market economy: recession, inflation and stagnation and describes its effects on people's lives. It uses aggregate Demand and Supply models to explain the causes of the cycle and its effects on output, employment, and the price level of the economy. It identifies the instruments of monetary and fiscal policy (Economic Policy), incorporates them into the models to analyze the effects on the aggregate demand (or supply); And uses them to discuss at an initial level, different alternative proposals of Economic Policy.

#### **IV. LEARNING UNITS**

##### **Basic concepts-contextualization / 5 hours**

Economic surplus and scarcity, the paradigms of economic science. The agricultural revolution and the rise of human civilization. The stages of development of human civilization and productive systems (modes of production). The emergence of capitalism as a new form of civilization and new field of study: fundamental characteristics and basic fundamentals of the market economy.

##### **The market economy system (SEM) - Measurements of your activity / 15 hours**

The study of SEM; Positive and normative economy; Assumptions and economic models; Production possibilities frontier; Vision Macro and microeconomic vision of SEM. Positive and Normative Analysis. Theory-Reality-Politics. Demands of the action of government. Nominal and real magnitudes / Stocks and flows / Short and Long term. The GDP and its measurement. The components of GDP. Real and nominal GDP. The main economic aggregates and their measurement.

##### **Production and growth - The process of accumulation / 5 hours**

Productivity, its role and its determinants. Growth and Economic Policy. The Financial System and its institutions. Saving and investing in national accounts. The markets for loanable funds.

##### **Money - Monetary System - Inflation and cost of living / 15 hours**

The money its characteristics and its functions. The BCR and the creation of money - The primary emission and the secondary expansion. The price level and the value of money. The classical dichotomy and the quantitative theory of money. The inflation tax. The Fisher effect. Inflation costs. Problems of the measurement of the cost of living. The Deflactation. The price indices: IPC, IPM, DEF.

##### **Open added economy - Foreign exchange market / 10 hours**

International movements of goods and capital. Real and nominal exchange rates. Theory of the exchange rate: The purchasing power parity. Effects of Economic Policy and others on the open economy. The supply and demand of foreign exchange. The balance of the open economy. The public economy taxes. Public expenditure. The public budget and fiscal policy.

##### **Short term - Aggregate demand and supply - Economic policy / 20 hours**

The natural rate of unemployment. Characteristics of economic fluctuations the short and long term. Keynes' general theory and the Principle of effective demand. Causes of the short-term economic cycle. Economic meaning of slope and level. Effects of fiscal policy and monetary policy on aggregate demand. Stabilizing economic policy.

## **V. LABORATORY AND PRACTICAL EXPERIENCES**

PPT slides, slates, videos and reading materials will be used and, if possible, workshops will be held.

## **VI. METHODOLOGY**

The subject will be developed starting from expositions of the themes assigned for each session complementing it with explanations orienting the teacher. The control of the progress in the learning will be carried out through debates, practices, works and expositions of group, and controls of reading.

## **VII. EVALUATION FORMULA**

Evaluation system "G". Calculation of the final average:  $PF = (1EP + 2EF + PP) / 4$

EP: Partial Exam, EF: Final Exam, PP: Average of practice.

## **VIII. BIBLIOGRAPHY**

1. Mankiw, N. Gregory, "Principles of Economics" (Chap., 1, 2, 3, 4 and 5 part vii, part ix, part x, part xi, part xii and part xiii). McGraw Hill 2nd Ed., Mexico 1995.
2. Blanchard, Oliver, "Macroeconomics," (Int., Chap. 1, 2, 3, 14-28). Pearson Ed. Corp. 2nd Ed., Madrid - 2000.