**Political Economy**

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***Text under revision. Not yet approved by academic staff***

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The aim of the course is to provide students with a basic grasp of political economy. The course is divided into two parts. One part on microeconomics, in which students will study tools used to understand the behaviour of consumers and producers and to appreciate the conditions and effects of market balances. One part on macroeconomics, which will define the main macroeconomic aggregates, such as output, employment, inflation, and introduce some basic models for interpreting their dynamics.

By the end of the course, students will have gained the ability to independently analyse how consumer preferences influence the demand for goods, how the cost structure of companies determines the supply of goods, and how producers’ behaviour and market balance change, in terms of the price and quantity of goods offered, as the market forms vary. Students will also be familiar with the concept of market balance, have mastered basic macroeconomic analysis tools, and gained the ability to independently analyse the role of fiscal and monetary policies in the economy in the short and medium term.

By alternating between theoretical content and case studies during lectures, the course enables students to develop the ability to independently apply the concepts learned to the study of specific cases.

***COURSE CONTENT***

Course Presentation

*Microeconomics Part*

Microeconomics: the field; analytical tools.

Consumer behaviour: tastes and preferences; utility and wellbeing; marginal utility; indifference curves, marginal rate of substitution; budget constraint; consumer equilibrium; individual and market demand; consumer and producer surplus; substitution effect and income effect in price variation; demand elasticity: price (and Engel curves), income and the price of other goods.

Theory of enterprise: supply analysis; total and marginal revenue; diminishing returns; production factors and costs; reference period; production function and technology; total, average and marginal product; stages of production; isoquant; marginal rate of technical substitution; optimal combination of production factors; isocost; functions of total, average and marginal cost in the short and long term; “optimal” level of production; economies and diseconomies of scale; marginal rate of transformation and the “optimum” product combination.

Market forms: classification and features of various market forms; perfect competition (conditions and equilibrium in the short and long term, instability and the road to [dis]equilibrium); perfect competition and social wellbeing; monopoly (conditions, classification, price differentiation, monopolist power, comparison with perfect competition); monopsony and bilateral monopoly; monopolist competition (conditions, company behaviour, stability); oligopoly (features, company behaviour, stability, effects, types of coalition); strategic interaction and introduction to game theory.

*Macroeconomics Part*

Scenarios: The recent economic crisis, in terms of preconditions, development and outcomes; the macroeconomic conditions of the United States of America, Europe, China, Italy and the emerging economies.

Aggregate output (GDP and GDP deflator); unemployment rate; inflation (and deflation) rate; short, medium, and long-term.

The products market: the composition of the GDP; demand for goods (consumption, investment and government expenditure); determining equilibrium production; investment and savings; the role of central government.

The financial markets: monetary supply and demand; determining the interest rate; monetary policy; banks and the central bank; financial equilibrium.

The IS-LM model: the products market and the IS curve; financial markets and the LM curve; equilibrium in the IS-LM model; economic policy instruments.

Risk and financial crises: the IS-LM extended model.

***READING LIST***

J.Sloman-D.Garratt, *Microeconomia,* Il Mulino, Bologna, 2022.

O. Blanchard-A. Amighini-F. Giavazzi, *Scoprire la macroeconomia – Quello che non si può non sapere,* Il Mulino, Bologna, 2021.

***TEACHING METHOD***

Lectures on theory.

***ASSESSMENT METHOD AND CRITERIA***

There will be two written tests to assess learning outcomes, one for the microeconomics part and one for the macroeconomics part.

Each test consists of a multiple-choice questionnaire, in which students must demonstrate that they have acquired the theoretical knowledge presented during the relative part of the course. The mark for the multiple-choice part will be based on accuracy, which will also be assessed based on the general performance in the test.

The final mark will be the average of the marks for the two tests. In order to pass the exam, students must pass both of the tests.

Students may be required to sit an oral exam for additional assessment, designed to further ascertain how well they have learned the theoretical and empirical concepts illustrated on the course, as well as their ability to interpret these.

***NOTES AND PREREQUISITES***

The course provides basic knowledge and tools for microeconomic and macroeconomic analysis, and as such does not require prior knowledge acquired on other economics courses.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG, or on the Faculty notice board.