# Economic analysis

## Prof. Enrico Bellino

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

The course aims to show how economic theory has attempted to explain several important phenomena such as income distribution, prices, employment levels, changes in employment levels, and economic growth through the following theoretical approaches: classical, neoclassical and Keynesian. Specific emphasis is given to alternative theoretical approaches, especially the modern interpretation of the classical approach and its links with Keynesian analysis. The economic problems studied will be also examined in light of the Social Doctrine of the Catholic Church. The ultimate goal of the course is to contribute to developing the students’ critical analysis, awareness and ability to elaborate independent judgments on the issues studied during the course and on current economic events.

The two main approaches of economic analysis adopted in the course are classical-Keynesian and neoclassical. The course will be structured as follows. First, the analytical frameworks of classical economists (Smith, Ricardo and Marx) are presented; emphasis will be on their strengths and weaknesses. Next, the advent of marginalism is considered, together with the logical problems stemming from the inclusion of ‘capital’ as a factor of production. Then, the return to classical political economy, through Leontief’s and Sraffa’s frameworks, is presented as a *logical* necessity in order to work out a rigorous analysis of the relations among relative prices, wages and profits. Lastly, the multi-sectoral framework of structural change proposed by Pasinetti is considered.

*Ability to apply knowledge and understanding*

Presenting an economic theory which is alternative to the current mainstream aims to encourage an objectively critical and personal approach to economic phenomena. This will help to develop an autonomous point of view on economic issues.

*Learning and communication skills*

At the end of the course the students will be able to:

– distinguish the different approaches to the study of economic problems and to understand the deeper reasons for the different theoretical approaches

– communicate with their peers more effectively as they are helped by the course to bring the analytical conclusions of the different approaches back to the value vision behind them.

***COURSE CONTENT***

1. The analytical framework of Classical economists: Quesnay, Smith, and Marx, with special emphasis on Ricardo.

2. The marginalist analytical framework: objectives and limits.

3. Introduction to input-output analysis: the Leontief model.

4. The Sraffa framework.

5. The problem of the choice of techniques.

6. The Keynesian principle of effective demand and the Harrod-Domar macro-dynamic model.

7. The post-Keynesian theories of income distribution (Kaldor and Pasinetti).

8. Multi-sectoral growth models, with structural change: structural change of production, employment and prices. Technological unemployment and possible remedies. The distribution of income and international trade within an economy characterized by structural change.

9. Introduction to the Catholic Church’s social doctrine: the priority of labour over capital and the notion of “just price”.

Understanding some parts of the course requires familiarity with general notions of linear algebra (which will be presented during the course).

***READING LIST***

E. Bellino, *Production, Value and Income Distribution – A Classical-Keynesian Approach*, Routledge, 2022.

Further readings will be made available on the Blackboard page of the course.

***TEACHING METHOD***

Lectures and collective discussions on current economic issues.

***ASSESSMENT METHOD AND CRITERIA***

Written exams (mid-term and final) on the entire course content. There will be questions with clearly-defined queries to which students must reply with short answers within a fixed space and longer open questions. The short answers aim to assess the grasp of terminology and of the comprehension of the logical steps required to obtain the conclusions in the various theoretical approaches presented during the course. In the open questions, students must demonstrate their ability to argue in favor of a specific type of economic reasoning and to evaluate the economic relevance of the conclusions obtained. The final mark of the exam will not necessarily be the exact sum of its parts; account will be taken of the overall approach (consistency among the replies provided, effective synthesis, appropriate analytical abilities where suitable, etc.)

The mid-term exam will be given in mid-November. Whoever passes the mid-term exam is eligible to take the final exam (on the remaining part of the course) during one of three regularly scheduled examination periods during the January-February examination session. Those who do not take or do not pass the mid-term exam must take the final exam on the entire program.

***NOTES AND PREREQUISITES***

Attending the lectures is not compulsory, but strongly recommended. The course is designed for students enrolled in any specialized degree programme within the Faculty of Economics. Students taking the course are expected to have taken and passed Economics I and II.

Further information can be found on the professor's webpage.