**Principles of Political Economics**

## Prof. Giovanni Marseguerra

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

The course aims to offer students the fundamental concepts about the functioning of markets (micro perspective) and the economic system of a country as a whole (macro perspective). From a methodological point of view, the course aims to provide students with simple tools (logical, formal and graphical) used to describe and understand economic dynamics and economic phenomena.

At the end of the course, students will demonstrate knowledge of and be able to apply the micro and macro concepts of an economic system and, specifically:

i. from a microeconomic point of view, students will be able to know and explain the process of determining prices in a market economy; to know and explain the way in which scarce resources are destined to different uses through a particular institution, namely (perfectly or imperfectly competitive) markets;

ii. from a macroeconomic point of view, students will be able to know and explain the basic concepts for the study of macroeconomics (such as gross domestic product, inflation, goods and money markets, the labour market, etc.) and understand public policies and the effects of fiscal and monetary policies.

Students will also be able to

i. stand in a critical manner before the dysfunctions of world economic systems;

ii. communicate the acquired knowledge of economic theory clearly and with appropriate language;

iii. place the studied empirical facts and the economic theories in the global economic-social context.

***COURSE CONTENT***

The course is divided into two basic parts:

First part: *Microeconomics*

*Introduction to Political Economy.* Principles, methods, classifications. *Demand and supply.* Markets, the law of demand, the law of supply, interaction between demand and supply, the State intervention. *The consumer decision-making process.* Indifference curves, individual demand curves. Income and substitution effects. Consumers in the markets. *The* *Production theory.* Companies. Short-run and long-run production. Short-run and long-run costs, average costs, marginal costs. *The company decision-making process.*Profit, business constraints. Profit maximisation. *The perfect competition.*The perfectly competitive undertaking, the perfectly competitive markets. The short run and the long run. *Monopoly and imperfect competition.*Monopoly. A comparison between monopoly and perfect competition. Monopolistic competition. Oligopoly. *Wages and the labour market.*Competitive labour markets and balance salary. Income inequalities. *Economic efficiency.*The meaning of efficiency. The concept of Pareto efficiency. Economic efficiency and perfect competition. The role of the State.

Second part: *Macroeconomics*

*Introduction.*The macroeconomics objectives and approach. *The macroeconomic variables.*Real variables: production, income, employment. Monetary variables: monetary system, prices, inflation. *Economic growth.*The importance of growth.Growth factors. Growth policies – *Economic fluctuations.*Expenditure and economic fluctuations. Total expenditure and the equilibrium GDP. Countercyclical fiscal policy.– *The banking system, the Central Bank and monetary policy.*The currency.The Central Bank.The banking system. The money markets.*Aggregate demand and aggregate supply.*The aggregate demand curve. The aggregate supply curve. Interaction between aggregate demand and aggregate supply and short-run equilibrium. The adjustment process and the long-term effects.

***READING LIST***

M. Lieberman-R. Hall, *Economia – Principi e applicazioni,* Maggioli Editore, 2015.

***TEACHING METHOD***

Classroom lectures and practical exercises. The course study material will be available on Blackboard on the lecturers’ web pages.

***ASSESSMENT METHOD AND CRITERIA***

The exam consists of a written test and an oral exam, both mandatory. The 2-hour written test is structured into two parts (Section A – Microeconomics and Section B – Macroeconomics). Each section consists of 3 long questions (each worth 4 points) and two short questions (each worth 1.5 points).

70% of the points of each question is assigned based on accuracy and completeness of answers, 30% based on rigour and clarity of presentation and the ability to use appropriate economic terminology. Each Section therefore assigns a score from 0 to 15 points. The written exam is considered to be passed by the student who has obtained in total (i.e. adding the scores of the two Sections) a passing (i.e. greater than or equal to 18). In this case, students will be admitted to the oral exam.

ii) The oral test, which may focus on all the course topics and which overall can result in a maximum increase (or a decrease) of six points of the written exam, includes three questions, each worth 2 points, which may be of a theoretical or applied nature (exercises). 70% of the points of each question is assigned based on accuracy and completeness of answers, 30% based on students’ logical reasoning skills, their critical thinking skills on the theories studied, economic intuition and their usage of appropriate economic terminology.

***NOTES AND PREREQUISITES***

Any prerequisite is required. Ir is however assumed revealing interest and intellectual curiosity about economic and social subjects.

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.