# Principles of Political Economy (12 ECTS - Degree in Political sciences and international relations)

## Prof. Guido Merzoni

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

The course aims to provide students with the basic notions and tools of Microeconomics and Macroeconomics and the knowledge of fundamental elements of the "way of thinking" of political economists.

*Knowledge and understanding*

At the end of the course, students will know the basic notions and tools of rational choice necessary to describe the consumer and corporate behaviour in the different market forms, each of which students will be able to distinguish the characterizing features. They will also be able to know the basic elements of aggregate economic analysis and to identify and characterize the main economic variables that determine levels of productive activity implemented in an economic system and therefore of the national income; in addition, they will know the main instruments of intervention for fiscal and monetary macroeconomic policy.

*Ability to apply knowledge and understanding*

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

- describe in an analytical and graphic form the choice of consumption plans that are excellent for consumers;

- determine strategies for maximizing corporate profits in various market forms in analytical and graphic form;

- know the economic meaning of magnitudes such as unemployment and inflation;

- determine the level of national income, both in a simple model with only real quantities, and in a model in which financial quantities are also analysed, in analytical and graph form;

- characterize the fiscal and monetary policy measures necessary to achieve full employment in analytical and graph form;

- use all the techniques listed to discuss economic problems in a rigorous way.

***COURSE CONTENT***

*Introduction:* Object and method of Political Economy.

##### Part one - Microeconomics

– Consumer’s choice

– Individual and market demand.

– Production and costs

– Revenues and profits.

– Firm and market structure: perfect competition, monopoly and oligopoly.

##### Part two – Macroeconomics

– General balance, efficiency and market failures;

– National accounting and macroeconomic issues

– The determination of national income in the Keynesian model.

– The interaction between markets of goods and financial assets: the IS-LM scheme.

* Fiscal and monetary policy.

***READING LIST***

J. Sloman-D. Garratt, *Elementi di economia,* Il Mulino, Bologna, 2022, 8th ed.

Further bibliographical references may be given during the lectures and published on Blackboard.

***TEACHING METHOD***

The course structure includes both lectures and classes. Theoretical topics both in microeconomics and macroeconomics will be presented during lectures, while classes will be devoted to make the student become familiar with the logic, graphical representation and resolution algorithms for the models covered by the course. Teaching material, particularly related to classes, will be published on the instructor’s web page.

***ASSESSMENT METHOD AND CRITERIA***

The examination consists either of two intermediate written exam papers, one after the end of the first semester and one after the end of the second semester, or as a single final written exam paper followed by an oral. The interim written tests include both theoretical questions and graph analysis, as well as exercises in applying analytical methods proposed during practical classes. They are usually divided into 6 sets of questions, two of which are based on basic notions, of which students must demonstrate sufficient knowledge to pass the test, regardless of the results obtained on the remaining sets of questions.

The final mark will be the weighted average of the two interim tests, provided that students have obtained a passing mark: students can accept the mark or request an oral integration, which in this case will focus on the entire course programme. If students have not obtained a passing mark in at least one of the interim tests, they may be required to take a supplementary oral test on those parts of the programme. A completely inadequate evaluation in one of the tests results in failing the test and therefore jeopardizes the possibility for the student to use the method of passing the course through interim tests.

The written test on the official exam date usually includes a set of 8 questions, which include both theoretical questions and graph analysis, and exercises, with prevalence of the latter; the oral exam, for those who have obtained a passing mark in the written test, focuses on assessing students’ knowledge of theory and on graph analysis.

In the written tests, both the interim and the final exams, students will be assessed on their theoretical knowledge, graph analysis and their ability to solve simple analytical exercises. With regard to the latter, exercise with calculation errors but correct procedure are penalized with half of the points assigned to the exercise or to that part of exercise. In the oral tests students are assessed firstly on correctness of answers and terminological and logical precision and secondly on their presentation skills.

***NOTES AND PREREQUISITES***

During the course the Blackboard platform will be used, so students are advised to have their own access password and to monitor the dedicated page, as well as to verify that their email is correct so they do not miss communications from the lecturer.

Being an introductory course, there are no specific prerequisites relating to economic content. However, students are expected to have knowledge of algebra and basic geometry at the level normally offered by secondary school. The first practical classes are also aimed to familiarize students who do not have experience with some elementary analytical tools, such as: the graphical representation of a function in the Cartesian axis system, the concept of derivative, the exponent rule for calculating derivatives.

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.

Office hours are subject to changes, which will be detailed on the instructors’ personal web pages.