# Introduction to political economy

## Prof. Enrico Bellino

### **coursE aims and intended learning outcomes**

The course introduces students to political economy and the prevailing two approaches to economic analysis: classical and neoclassical. Their contraposition is propaedeutic to issues concerning ‘sustainability’, understood as the possibility to repeat the production and consumption activities over time on an (at least) unchanged scale. This will require us to overcome the pure neoclassical logic, where all economic phenomena are reduced to a problem of optimal allocation of scarce resources, and rediscover the logic of the classical approach to production, in its modern version, where the central questions addressed are the (technical and economic) conditions which allow the possibility of repeating the production activity over time. We will also consider some recent contributions, which have integrated the issue of scarcity with the logic of reproducibility within the classical analysis of production. It will be thus possible to ascertain the necessary conditions for reproducibility, investigate if and how they can be achieved in a system of free competition and identify those areas where intervention by public institutions is necessary to pursue those objectives that the system cannot achieve on its own.

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

* know the fundamental determinants of the prices of goods, of functional income distribution (wages, rents and profits) and the workings of free competitive systems. In particular, they should be able to recognize the two *alternative* explanations (classical and neoclassical) of the observed phenomena;
* distinguish the goals that free competitive systems are able to attain, for example, the adjustment of supply of goods to their final demand, and those goals that cannot be achieved autonomously, like the full employment of the labour force, or the sustainable use of scarce and exhaustible resources.

### **COURSE CONTENT**

I) Introduction to political economy

II) Neoclassical view: optimal allocation of a given stock of resources.

1) Consumer choices

a) Preferences (utility function)

b) Budget constraint

c) Choice of the optimal consumption bundle; demand function of goods

d) Inter-temporal choices

2) Firm’s choices

a) Technology (production function)

b) Cost curves (total, average, marginal) in the short and long run

c) Optimal choices of a competitive firm: output curve and demand functions of labour and capital

3) General competitive equilibrium

a) Pure exchange

b) Production and exchange

(quick reference to overlapping generation models)

c) Role of prices: optimal allocators of scarce resources

III) Classical view: reproducibility

1. Notion of social surplus
2. Input-output table: representation of the physical flows of commodities among industries in a given period
3. Leontief models (closed and open): the quantity system and the price system; condition for achieving full employment of the labour force; viability condition (sustainability) of technique

### **Reading list**

Bellino E. (2021), *Appunti per il corso di Introduzione all’economia politica*, notes available on Blackboard.

Further notes will be made available on Blackboard

### **teaching method**

Lectures.There will be moments to discuss the connection of the arguments addressed in the course with the current economic situation.

### **assessment METhod and criteria**

One written exam with open questions on the course content. Each question, with its specific weight according to the content, will contribute to the final mark. The final mark will be attributed by taking into account the ability to understand the topics, the appropriate use of the analytical tools presented in class, the logical rigor followed in obtaining the results and the understanding of their economic relevance. The delivery of each homework assignment results in a bonus of 1/30 of the final grade.

***NOTES AND PREREQUISITES***

Although not formally necessary, it is advisable to have followed the Mathematics course. Attending the lectures is not compulsory, but it is strongly recommended.

### **time and place of student reception**

Refer to the professor's personal webpage at <http://docenti.unicatt.it/> for office hours.