# Political Economics

## Prof. Gilberto Turati, Prof. Luca Salmasi

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

The course aims to illustrate the fundamental concepts of microeconomics, the branch of economic theory that studies the individual decisions of consumers and businesses and how these decisions are coordinated within the market mechanism. Through an analysis of the individual behaviours of consumers and businesses, the course explains the role of various factors that respectively determine the demand and supply of goods and services on markets. The course then analyses the role of preferences, incomes and prices in the field of demand theory, and of technology and production factors in the field of supply theory. The two sides are then considered together to understand how markets act to coordinate supply and demand through the price mechanism. The course focuses on different market structures: perfect competition, monopoly, oligopoly. For each of these market forms, the effects on prices, quantities traded and social welfare are discussed. The presentation of the theoretical arguments is accompanied by the analysis of numerous case studies.

At the end of the course, students will:

* have learnt the basic concepts and fundamental tools of microeconomics.
* be able to use simple graphs to discuss and analyse the behaviour of consumers and producers.
* be able to use simple graphs to discuss and analyse market outcomes in the hypothesis of perfect competition, monopoly and oligopoly.
* be able to use the concepts of supply and demand to interpret trends in market prices through practical applications, and to communicate this information to specialists and others in a technical language.
* be able to use simple mathematical analysis tools to formalise a number of consumer and business choice problems.
* be able to progress in the study of economic subjects.

***COURSE CONTENT***

The course in Political Economics (Microeconomics) deals with the main issues in the functioning of an economic system in terms of the decisions made by agents and institutions operating in it. The course is divided into two main parts:

Part 1: The individual choices of consumers and businesses

*Introduction*

- The principles of (micro) economics, economic models, the functioning and limits of the market as a resource allocation mechanism.

*The theory of consumer behaviour*

- Budget constraints, preferences, utility and consumer choices.

- Market demand, elasticity, market balance.

*The theory of business and production*

- Technological constraints and choice of production factors.

- Short- and long-term cost functions.

Part 2: The market as an interaction mechanism

*Market balance in perfect competition*

- Competitive company offer, industry offer, short- and long-term balance.

*Market power and imperfect competition*

- Monopoly.

- Oligopoly.

***READING LIST***

The main text for the exam is R.S. Pindick-D.L. Rubinfeld, *Microeconomia,* Pearson (latest edition available).

Detailed indications on the chapters of the manual used in class, tutorials, exam topics from previous academic years, and other readings to enrich students' course attendance and help them prepare for the exam, will be made available on the course webpage on Blackboard.

***TEACHING METHOD***

Lectures and tutorials using modern teaching tools that permit active participation by students.

***ASSESSMENT METHOD AND CRITERIA***

A written exam in three parts, lasting 60 minutes. Each part is worth a maximum of 10 marks. The first part consists of 10 multiple choice questions covering the basic course concepts, and must be handed in after 20 minutes. Each correct answer contributes 1 mark to the final mark; there is a 0.5-mark penalty mechanism for every wrong answer. The second and third parts consist of open-ended questions aimed at assessing students' ability to formally analyse microeconomic problems, through simple graphs or mathematical analysis tools. The assessment of the second and third parts will consider completeness and accuracy of each answer given.

***NOTES AND PREREQUISITES***

Basic concepts of algebra and mathematical analysis as well as the ability to represent economic data and information through simple Cartesian graphs are prerequisites for a full understanding of the lectures.

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

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