

30146 - Political Economics

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Goals:

How do politics and institutions affect the economy? The course is designed to provide students with an introduction to contemporary political economics. The aim is to understand the main features of contemporary democracies, to explain how economic policies are determined, and to analyze how these policies may differ according to the underlying political institutions. The course analyzes how political and electoral incentives may influence economic policies, and focuses on how these differences in economic policies may arise from political institutions, such as electoral rules and regime types. A particular emphasis is devoted to the selection of politicians.

Topics:

Political incentives and fiscal policy. The impact of political institutions on decision-making, with a particular emphasis on the role of party systems, executive-legislative relations, electoral systems, interest groups, division of power. Tools of political economics: voting and lobbying models. Electoral rules and electoral competition: single-district proportional elections, multiple-district majoritarian elections. Broad versus targeted redistribution. The importance of political selection and politicians' incentives. The political economy of labor market regulation. Political corruption: what are its causes and how to discourage it.

Grading System:

Exams (written only):

- Midterm: 14 points out of 30 (valid only if the final exam is taken by the Summer session).
- Final: 14 points out of 30 (or 28 points if taken over the whole program).

Theoretical problem sets (to be done individually; they will be distributed in class): 2 points if the final exam is taken by the Summer session; 1 point if the final exam is taken afterwards.

Group assignments (short essay plus – randomized – class presentation): 2 points if the final exam is taken by the Summer session; 1 point if the final exam is taken afterwards.

Non-Attending Students:

They have to follow the entire program and prepare the problem sets and the empirical assignment.

Readings and Course Outline:

Textbooks (we will just use some chapters or sections of the following books):

- ✓ Persson-Tabellini, *Political Economics: Explaining Economic Policy*, MIT Press 2000, paperback edition (PT1)
- ✓ Persson-Tabellini *The Economic Effects of Constitutions*, MIT Press 2003 (PT2)
- ✓ Lecture notes and additional material will be posted on the e-learning

*Required readings are denoted with **

1. Introduction

*PT1, Ch. 1, 2.1

*Galasso, V., Lecture Notes, Ch. 1

*Schuknecht, L. and V. Tanzi, *Public Spending in the 20th Century*, Cambridge University Press, 2000, Ch. I

Hindriks, J. and Myles, G., *Intermediate Public Economics*, MIT Press 2013, Ch. 6.1-6.5, 13, 16.3
Shepsle 2010, Ch. 2

Schuknecht, L. and V. Tanzi, *Public Spending in the 20th Century*, Cambridge University Press, 2000, Ch. II

2. Redistribution and electoral competition

*PT1, Ch. 2.1-2.3, 3.1-3.2, 3.4-3.6

*Galasso, V., Lecture Notes, Ch. 2

Shepsle 2010 Ch. 4, 5

Boeri, Boersch-Supan, and Tabellini (2001), “Would you like to shrink the welfare state? A survey of European Citizens”, *Economic Policy* 16: 7-50

Alesina and Glaeser (2004), *Fighting Poverty in the US and Europe: A World of Difference*, Oxford University Press, Oxford UK

3. Public goods and special interest politics

*PT1, Chp 7.1, 8.1-8.3

*Galasso, V., Lecture Notes, Ch. 3

Shepsle 2010, Ch. 10

Von Hagen and Harden (1994), “National Budget Processes and Fiscal Performance”, *European Economy, Report and Studies*, 3:311-408.

Perotti, R. and Y. Kontopoulos, “Fragmented fiscal policy”, *Journal of Public Economics* 2002

Shepsle 2010, Ch. 11, 12

4. Corruption

*PT1, Ch. 4.1-4.2, 4.4.1

Treisman, D., “What Have We Learned About the Causes of Corruption From Ten Years of Cross-National Empirical Research?”, *Annual Review of Political Science* 2007

Brollo, Nannicini, Perotti, and Tabellini, “The Political Resource Curse”, *American Economic Review* 2013

Nannicini, Stella, Tabellini, and Troiano, “Social capital and political accountability”, *American Economic Journal: Economic Policy* 2013

5. Political institutions and economic development

*Acemoglu, Daron, Johnson, Simon and Robinson, James (2006), “Institutions as a Fundamental Cause of Long-Run Growth”, in: *Handbook of Economic Growth*, Aghion, Philippe and Durlauf, Steven, eds., Amsterdam: North-Holland, Ch. 6

*Easterly, W. and R. Levine, “The European Origins of Economic Development”, mimeo, Berkeley, 2014

Nunn, N., “The Importance of History for Economic Development”, *Annual Review of Economics* 2009

6. Electoral systems and forms of government in comparative perspective

*Lecture slides, available at www.tommasonannicini.eu

*Lijphart, *Patterns of Democracy*, Yale University Press (2012), Ch. 8

*PT2, Ch. 2, 4, 6, 8

Gagliarducci, Nannicini, and Naticchioni, “Electoral Rules and Politicians’ Behavior: A Micro Test”, *American Economic Journal: Economic Policy* (2011)

7. Political Agency and Accountability

*Lecture slides, available at www.tommasonannicini.eu

*Besley, *Principled Agents?*, Oxford University Press (2007), ch. 3

8. The Elusive Quest for Good Politicians

*Lecture slides, available at www.tommasonannicini.eu

*Besley, “Political Selection”, *Journal of Economic Perspectives*, vol. 19 (3), 2005

Gagliarducci, Nannicini, and Naticchioni, “Moonlighting Politicians”, *Journal of Public Economics* (2010)

9. The Political Economy of Labor Market Regulation

*Lecture slides, available at www.tommasonannicini.eu

*Saint-Paul, “Exploring the Political Economy of Labor Market Institutions”, *Economic Policy* (1996)