

30146 - Political Economics

Spring 2016

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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.

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: 15 points out of 30 (valid only if the final exam is taken by the Summer session).
- Final: 15 points out of 30 (or 30 points if taken over the whole program).

Problem sets (to be done individually; they will be distributed in class): 1 point each, but only if the final exam is taken by the Summer session.

Non-Attending Students

They have to follow the entire program and prepare the problem sets

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)
- ✓ Acemoglu-Robinson *Economic Origins of Dictatorship and Democracy*, Cambridge University Press 2006
- ✓ Lecture notes and additional material will be posted on the e-learning.

*Required readings are denoted with **

Part IA – G. Tabellini

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 (Ch II optional)

*Piketty, T., *Capital in the Twenty-First Century*, Harvard University Press, 2013, Ch. 7 (Ch. 8 optional)

Gruber, J., *Public Finance and Public Policy*, Fourth Ed., Worth Publishers, 2013, Ch. 7 and 9

2. Redistribution and electoral competition

*PT1, Ch. 2.1-2.3, Ch. 3, 5.1-5.2

*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

Part IB – S. Nunnari

1. Comparative Political Institutions

* Lecture Notes available on E-Learning

* Lijphart, 1999, “Patterns of Democracy”, Chapters 7 and 8, available on E-Learning

2. The Effect of Political Institutions on Politicians' Selection and Behavior

* Lecture Notes available on E-Learning

* Besley, 2005, “Political Selection”, Journal of Economic Perspectives,

<http://pubs.aeaweb.org/doi/pdfplus/10.1257/089533005774357761>

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

<http://www.tommasonannicini.eu/media/works/files/target28.pdf>

3. The Effect of Political Institutions on Economic Outcomes I: Empirical Evidence

* Lecture Notes available on E-Learning

* Persson and Tabellini, 2003, The Economic Effects of Constitutions, MIT Press, Chapter 2 (excluding 2.5, 2.7), Chapter 6 (excluding 6.2.2, 6.2.3, 6.3.2, 6.3.3, 6.4.2, 6.4.3) and Chapter 7 (excluding 7.2.2, 7.2.3, 7.3.2, 7.3.3, 7.3.4)

Galasso and Nunnari, 2015, “Electoral Incentives and Economic Policy Across Political Regimes,” Unpublished Manuscript, http://salvatoreunnari.eu/galassonunnari_electoral.pdf

4. The Effect of Political Institutions on Economic Outcomes II: Experimental Evidence

* Lecture Notes available on E-Learning

* Battaglini, Nunnari, and Palfrey, 2016, “The Political Economy of Public Debt: A Laboratory Study”, Unpublished Manuscript, http://salvatoreunnari.eu/bnp_debtexp.pdf

Falk and Heckman, 2009, “Lab Experiments Are a Major Source of Knowledge in the Social Sciences,” Science, <http://science.sciencemag.org/content/326/5952/535>

Battaglini, Nunnari, and Palfrey, 2012, “Legislative Bargaining and the Dynamics of Public Investment”, American Political Science Review, http://salvatoreunnari.eu/dyngbarg_apsr.pdf

5. Special Interests and Lobbying

* Lecture Notes available on E-Learning

* Olson, 1965, “The Logic of Collective Action,” Chapter 1 (only Section A, Section B, Nontechnical summary of Section D, Section E), available on E-Learning

Nunnari, 2015, “The Political Economy of the U.S. Auto Industry Crisis,” Unpublished Manuscript, http://salvatoreunnari.eu/nunnari_autobailout.pdf

Part II – M. Onorato

1. Origins of Democracy

* Acemoglu, D., and J. Robinson, 2006, “Paths of Political Development”, “Our Argument”; Chapters 1 and 2 of Acemoglu and Robinson, *Economic Origins of Dictatorship and Democracy*, Cambridge University Press.

Ansell, B. W., and D. J. Samuels, 2014, “Introduction” and “Inequality, Development, and Distribution”; Chapters 1 and 2 of Ansell and Samules, *Inequality and Democratization*, Cambridge University Press.

2. Democracy and development

* Kudamatsu, M., 2012, “[Has Democratization Reduced Infant Mortality in Sub-Saharan Africa? Evidence from Micro Data](#)”, *Journal of the European Economic Association*, 10(6): 1294-1317

* Harding, R., and D. Stasavage, 2014, “[What Democracy Does \(and Doesn't Do\) for Basic Services: School Fees, School Inputs, and African Elections](#)”, *Journal of Politics*, 76(1): 229-45

Besley, T., and M. Kudamatsu, 2009, “Making Autocracy Work”, in Helpman, ed., *Institutions and Economic Performance*, pp. 452-510, Harvard University Press

3. Culture

* Harari, M. F., and G. Tabellini, 2009, “The Effect of Culture on the Functioning of Institutions: Evidence from European Regions”, CESifo DICE Report 1/2009. Available at:

<http://didattica.unibocconi.eu/mypage/index.php?IdUte=48805&idr=22656&lingua=eng>

* Alesina, A., and P. Giuliano, forthcoming, “[Culture and Institutions](#)”, *Journal of Economic Literature*

Tabellini, G., 2010, “[Culture and Institutions: Economic Development in the Regions of Europe](#)”, *Journal of the European Economic Association*, 8(4): 677-716.

Voigtländer, N., and H. J. Voth, 2012, “[Persecution Perpetuated: The Medieval Origins of Anti-Semitic Violence in Nazi Germany](#)”, *Quarterly Journal of Economics*, 127(3): 1339-1392

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