

DEFAP Public Economics

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This course focuses on the application of economic analysis to political institutions by the method of competitive behavior. We will analyze the strategic interaction of agents in political and market environments, on the basis of the optimizing agent assumption. The emphasis of the course will be conceptual rather than purely technical. The course is organized as follows. There are two parts (12 hours each). The instructors are Elena Manzoni and Bruno Bosco. There are 8 hours of tutorials, taught by Marco Mantovani. There is a written final exam (70% of the final grade) and a short presentation (30% of the final grade).

List of topics

1. Introduction, Welfare Theorems
2. Market Failures, Externalities and Public Goods.
3. Preferences and Arrow's Theorem.
4. The Median Voter Theorem
5. Electoral Rules
6. Agency Models
7. Natural monopoly as a case of market failure
8. Optimal first best and second best prices
9. Optimal incentive contracts and second best pricing under asymmetric information
10. Auctions and regulation

General References

Cox, G.W. (1997). *Making Votes Count: Strategic Coordination in the World's Electoral Systems*. Cambridge, UK: Cambridge University Press.

Besley T. (2006), *Principled Agents? The Political Economy of good Government*. Oxford University Press.

Mas-Colell A., M. Whinston, J. Green (1995) "Microeconomic Theory".

Myerson R., (2013). "Fundamentals of social choice theory." *Quarterly Journal of Political Science* 8 (3): 305-337.

Osborne M. (1995), Spatial Models of Electoral Competition under Plurality Rule, *Canadian Journal of Economics*, 28: 261-301.

D. Bös, Public sector Pricing, A. Auerbach e M. Feldstein (eds.), *Handbook of Public Economics*, North-Holland, Amsterdam

M. Armstrong and D. Sappington, Recent developments in the theory of regulation, *Handbook of Industrial Organization* (Vol. III), edited by M. Armstrong and R. Porter.

V. Krishna, *Auction theory*, AP, second edition