

Political and Public Economics

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General information and aim of the course

This course aims to offer students an introduction to the main theoretical tools and some of the most interesting empirical results emerging from the modern literature on public economics and political economics (or political economy, as is also known). The course is primarily designed to offer Ph. D. students interested on researching within the areas of interest of the discipline the opportunity of familiarizing with high-quality research and to expand their knowledge about the interaction between political agents' behavior and the economy. Nevertheless, the course could be an important complement of the portfolio of doctoral students interested in writing their thesis in related fields such as, for instance, game theory, macroeconomics, labor economics. Having attended courses of political economics at the master level is not required.

At the end of the course students will have a working knowledge of the main theoretical models used in this literature and of their empirical applications at the current research frontier. Specifically, students will be able to work analytically with theoretical models and apply these models to data using state-of-the art econometric techniques.

Course content

In political economics, the emphasis shifts from normative to positive analysis. Rather than asking how economic policy should be organized to meet some given efficiency or equity objectives, this literature asks how the different political institutions (the voting mechanism, the form of the state, the functioning of the legislature, the degree of electoral competition, the quality of policymakers etc.) determine which policies will in fact be adopted by governments. The normative perspective re-emerges, in case, in the choice of "optimal" political institutions. The literature also asks how individuals form their policy preferences, how policy-makers are selected and respond to incentives that institutions provide them, and how mass and social media influence the political-economic environment.

Part I – Basic models of political economics

- 1) *Median voter model and Downs' model of electoral competition*
- 2) *Probabilistic voting model*
- 3) *Models of lobbying*
- 4) *Models of political agency and political selections*

Part II – Empirical applications

- 1) *Partisan effects on realized government interventions*
- 2) *Social mobility and social preferences*
- 3) *Political protests, partisan favoritism, incumbency advantage*
- 4) *Political selection, legislative bargaining*

Reading list

The course is based on lecture notes from the professors; moreover, readings from the most recent scientific literature that will be suggested during the course. Good reference textbooks for the course are:

- 1) T. PERSSON-G. TABELLINI, *Political Economics: Explaining Economic Policy*, MIT Press, 2000.
- 2) T. BESLEY, *Principled Agents? The Political Economy of Good Governments*, Oxford University Press, 2006.

A non-exhaustive list of research papers that will be covered during the course includes:

- 1) Alesina, A., Miano, A., Stantcheva, S. (2023). Immigration and Redistribution. *Review of Economic Studies* 90(1):1-39.
- 2) Alesina, A., Stantcheva, S., Teso, E. (2018). Intergenerational mobility and preferences for redistribution. *American Economic Review* 108(2): 521-554.
- 3) Autor, D., Dorn, D., Hanson, G., Majlesi, K. (2020). Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure. *American Economic Review* 110(10): 3139-3183.
- 4) Bombardini, M., Li, B., Trebbi, F. (2023). Did US Politicians Expect the China Shock?. *American Economic Review* 113(1): 174-209.
- 5) Bordignon, M., Cerniglia F., Revelli F., (2003) In search for yardstick competition: a spatial analysis of Italian municipality property tax setting *Journal of Urban Economics*, 199-217.
- 6) Bordignon, M., Grembi V., Piazza D., (2017) Who do you blame in local finance? An analysis of municipal financing in Italy, *European Journal of Political Economy*, 49(C), 146-163.
- 7) Bordignon, M., Minelli E., (2001) Rules Transparency and Political Accountability, *Journal of Public Economics*, 2001 73-81.
- 8) Bordignon, M., Nannicini, T., Tabellini G. (2016). Moderating Political Extremism: Single Round versus Runoff Elections under Plurality Rule. *American Economic Review* 106 (8): 2349-2370.
- 9) Carozzi, F., Cipullo, D., Repetto, L. (2022). Political Fragmentation and Government Stability: Evidence from Local Governments in Spain. *American Economic Journal: Applied Economics* 14(2): 23-50.

- 10) Carozzi, F., Cipullo, D., Repetto, L. (2024). Powers that be? Political alignment, government formation, and government stability. *Journal of Public Economics* 230, 105017.
- 11) Chetty, R., Grusky, D., Hell, M., Hendren, N., Manduca, R., Naran, J. (2017). The fading American dream: Trends in absolute income mobility since 1940. *Science* 356(6336): 398-406.
- 12) Chetty, R., Hendren, N., Jones, M. R., Porter, S. R. (2020). Race and Economic Opportunity in the United States: an Intergenerational Perspective. *Quarterly Journal of Economics* 135(2): 711-783.
- 13) Chetty, R., Hendren, N., Kline, P., Saez, E. (2014). Where is the land of Opportunity? The Geography of Intergenerational Mobility in the United States. *Quarterly Journal of Economics* 129(4): 1553-1623.
- 14) Curto-Grau, M., Solé-Ollé, A., Sorribas-Navarro, P. (2018). Does electoral competition curb party favoritism? *American Economic Journal: Applied Economics* 10(4): 378-407.
- 15) Dal Bò, E., Finan, F., Folke, O., Persson, T., Rickne, J. (2017). Who becomes a politician? *Quarterly Journal of Economics* 132(4): 1877-1914.
- 16) Durante, R., Pinotti, P., Tesei, A., (2019). The Political Legacy of Entertainment TV. *American Economic Review* 109(7): 2497-2530.
- 17) Ferreira, F., Gyourko, J. (2009). Do Political Parties Matter? Evidence from U.S. Cities. *Quarterly Journal of Economics* 124(1): 399-422.
- 18) Fujiwara, T. (2015). Voting technology, political responsiveness, and infant health: Evidence from Brazil. *Econometrica* 83(2): 423-464.
- 19) Gagliarducci, S., Nannicini, T. (2013). Do better paid politicians perform better? Disentangling incentives from selection. *Journal of the European Economic Association* 11(2): 369-398.
- 20) Karadja, M., Mollerstrom, J., Seim, D. (2017). Richer (and holier) than thou? The effect of relative income improvements on demand for redistribution. *Review of Economics and Statistics* 99(2): 201-212.
- 21) Lee, D. S. (2008). Randomized experiments from non-random selection in U.S. House elections. *Journal of Econometrics* 142(2): 675-697.
- 22) Lee, D. S., Moretti, E., Butler, M. J. (2004). Do Voters Affect or Elect Policies? Evidence from the U.S. House. *Quarterly Journal of Economics* 119(3): 807-859.
- 23) Lott, J.R. Jr., Kenny, L. W. (1999). Did Women's suffrage change the size and scope of government? *Journal of Political Economy* 107(6): 1163-1198.
- 24) Madestam, A., Shoag, D., Veuger, S., Yanagizawa-Drott, D. (2013). Do Political Protests Matter? Evidence from the Tea Party Movement. *Quarterly Journal of Economics* 128(4): 1633-1685.
- 25) Miller, G. (2008). Women's Suffrage, Political Responsiveness, and Child Survival in American History. *Quarterly Journal of Economics* 123(3): 1287-1337.
- 26) Stromberg, D. (2008). How the Electoral College Influences Campaigns and Policy: The Probability of Being Florida. *American Economic Review* 98(3): 769-807.