

Public and Political Economics

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Plan of the talk

- The group
- Research & current projects
- The course of P&P

Who are we

Milano Cattolica

- Paolo Balduzzi (researcher)
- Massimo Bordignon (Professor of Public Economics)
- Marco Buso (researcher)
- Duccio Gamanossi (post doc)
- Expanding.. 2 positions open

Roma Cattolica

- Gilberto Turati (Professor of Public Economics)
- Luca Salmasi (researcher tenure-track)

Former Cattolica but still working with us

- Massimiliano Onorato (researcher tenure-track Bologna)
- Francesco Sobbrío (associate professor Luiss)
- Piergiorgio Carapella (Confindustria)
- Silvia Coretti (post doc Padova)

What do we do

- Public economics in general ..but..main research interests:
- Fiscal federalism (all)
- Local public finance (all; Cifrel)
- Health Economics (Turati, Salmasi, Coretti)
- Political economics (often using Italian loc gov as testing grounds)..(all)
- Public procurement & enviromental tax (Buso)
- Tax evasion (Gamannossi)

Same examples..

- «Moderating Extremism» AER, 2016, (EJPE, 2017)
Bordignon with Tabellini & Nannicini

..use Italian municipal data to test a new theory on the effect of the Runoff on policies..

- «Who do you blame in local public finance» Bordignon with Grembi & Piazza EJPE, 2017

...test the effect on the introduction of a non transparent local tax on gov behavior

- «Enhanced cooperation» JPE Bordignon & Brusco

..theoretical analysis of plus and minus of sub-union in the EU

- «Soft budget constraint in Italian Health System»,
Bordignon & Turati JHE, 2009

The effects of an external enforcer on problem of sbc in Italy..

Current research

1. «Differentiated federalism” Bordignon & Balduzzi –solve a Asymmetric Inf problem..
2. «Dancing with the Populist» Bordignon & Colussi –theor & emp analysis of M5s using municipal elections..
3. «An electoral tipping point» Bordignon & Turati & Gamalerio & Slerca.. Using income data on Lombardia to address the anti-immigration puzzle;
4. «Fiscally responsible Mafia Clans» Bordignon & Turati ..using ICI abolition to analyse fiscal behaviour of municipalities dissolved for mafia..

Current research

5. “Fiscal autonomy and the selection of the local political class” Bordignon, Turati & Gamalerio... use 1993 electoral reform and Ici introduction to study the selection of Mayors..
6. «United we win: The opinion of EU Parliaments» Bordignon & Carapella with international group
7. «Getting closer or falling apart?» Bordignon & Onorato ..convergence/divergence of EMU countries after crisis..
8. «Red capitalists in China» M. Bordignon & J. Huang.. The effect of Chinese Communist party reform in 2002 on the birth of red capitalists..

Current research

9. “Co-payment and access to prenatal care” Di Giacomo & Piacenza & Siciliani & Turati... use reform of co-payment for invasive test to study access to prenatal care ..
10. «Productivity of maternity wards in public hospitals» Di Giacomo & Piacenza & Salmasi & Turati... exploit medical staff regulation to understand the impact of workers on newborns' health

Marco Buso

- 1. Publications and past researches:** Theoretical and empirical research on the topic of “Public Private Partnerships” (IJIO, Journal of economics).
Theoretical and experimental analyses on the topic of “Public response to climate change” (Energy policy, JPET)
- 2. Future research topics:** Public policy analysis, environmental and energy economics, political economy and optimal taxation, public procurement.
- 3. Research topics for Ph.D student:** Environmental policies, public procurement and public-private partnerships.

Teaching..

- Unfortunately, I am too busy (in Brussels..) to teach P&P at the doctoral level as I used to do..
- And my younger co-authors are too busy to teach graduate & undergraduate courses (in my place in Milan..) to have time to teach at the doctoral level..
- BUT. My course in P&P at graduate level (together with Onorato) quite suitable for doctoral students and now can be taken in substitution of other courses..

My course: Starting point

- Large variation across-countries - even among those with similar levels of development - in public policies.
- Consider:
 - government spending
 - size of welfare programs
 - unemployment insurance systems
 - tax systems

Starting point

- Normative approach in «public economics»:
 - efficient policies designed to increase a society's economic welfare taking into account citizens' preferences
- Political economics:
 - *not necessarily efficient policies are adopted*
 - *policies do not have to increase economic well-being of a society to be adopted. They need to have enough political support (in a legislative body, among voters and policy makers, etc..)*
 - *need to consider the political decision-making process behind the adoption of public policies*

A «positive» analysis

- The question in «political economics» becomes:
 - How do different **political institutions** (e.g., voting mechanisms, forms of the state, the functioning of the legislature, the degree of electoral competition, etc.) determine which policies will be adopted by governments?

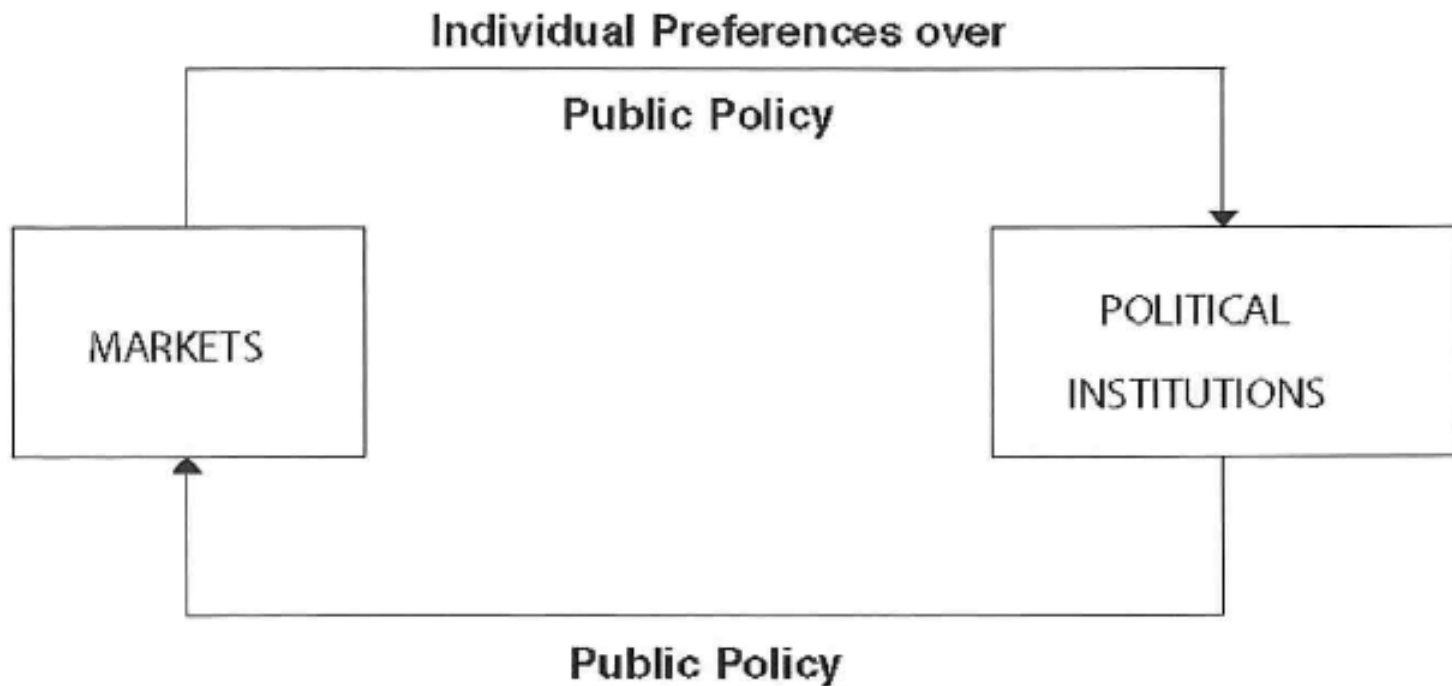
«Normative» consequences

- If you want to have better policies, choose better institutions.
- Policies will follow.

The political economic approach

- Individuals are considered as both *economic* and *political* agents.
- Agents' preferences over public policies are affected by the impact of these policies (through markets) on their well-being.
- Political institutions aggregate individual preferences into societal ones.

The political economic approach



Topics

- Models of voting
 - Direct democracy and the problem of aggregating preferences
 - Sincere vs strategic voting
 - Why people vote
- How does a representative democracy work?
 - Inequality, redistribution and the size of the public sector
 - Application to pensions and welfare states
- Uncertainty and single issue voting

Topics

- Lobbying
- Electoral rules/forms of governments and policy outcomes
- Agency model of politics and the role of political parties
- Citizen-candidate model
- Behavioural political economics & populism

Endogenous Institutions

- In a long run perspective, institutions, including political institutions, are **endogenous..**
- And institutions matter for growth and development..

Institutions matter for long-run growth

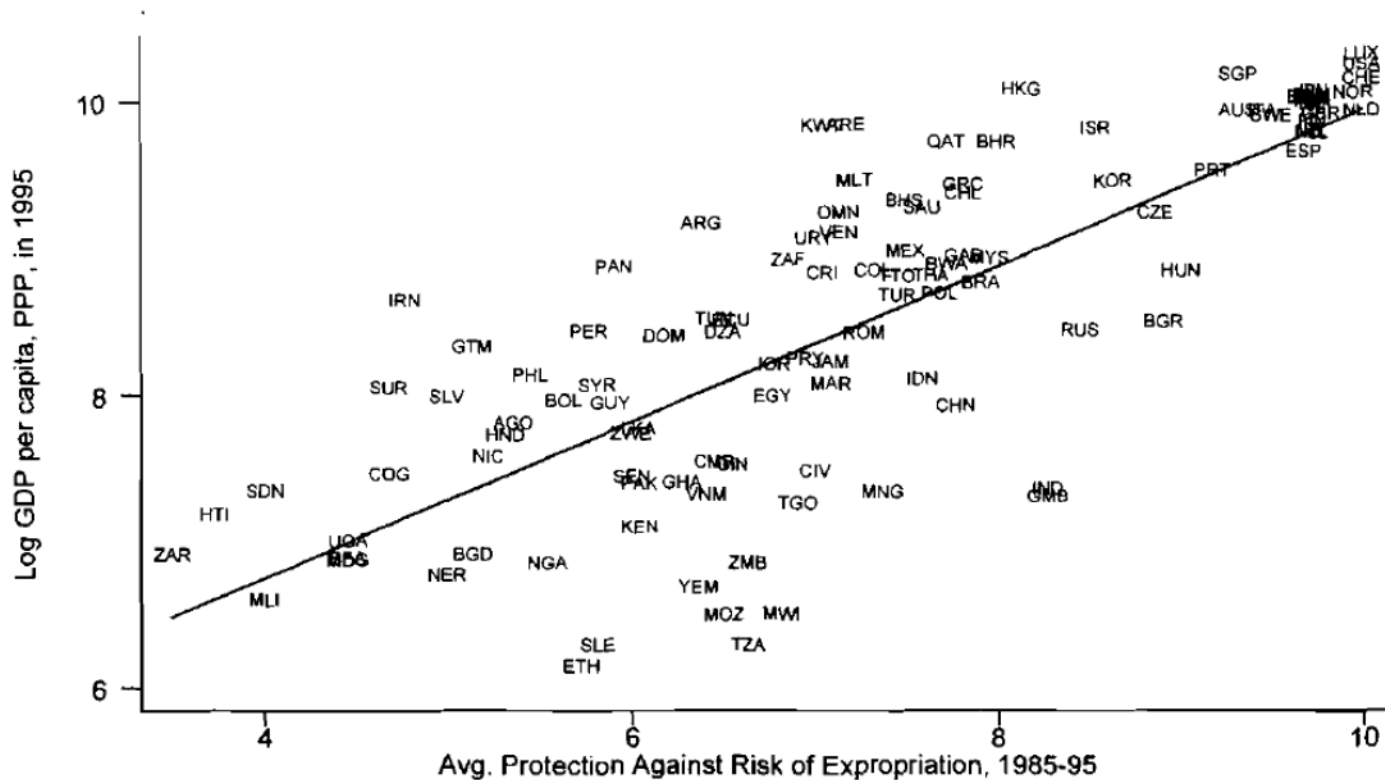


Figure 1. Average protection against risk of expropriation 1985–95 and log GDP per capita 1995.

Source: Acemoglu, Johnson, and Robinson (2005)

Endogenous institutions

- So why some countries end up with good institutions and manage to grow, while some others do not?
- Why are some countries democratic and others are not?
- Is democracy leading to higher growth?
- Why do only some democracies consolidate and persist over time?
- Why do some countries have very repressive political systems?

Endogenous institutions

- Course covers some recent theoretical developments and empirical research on endogenous institutions ..
- Empirical research often based on historical experiments ..

«Experiments» from history

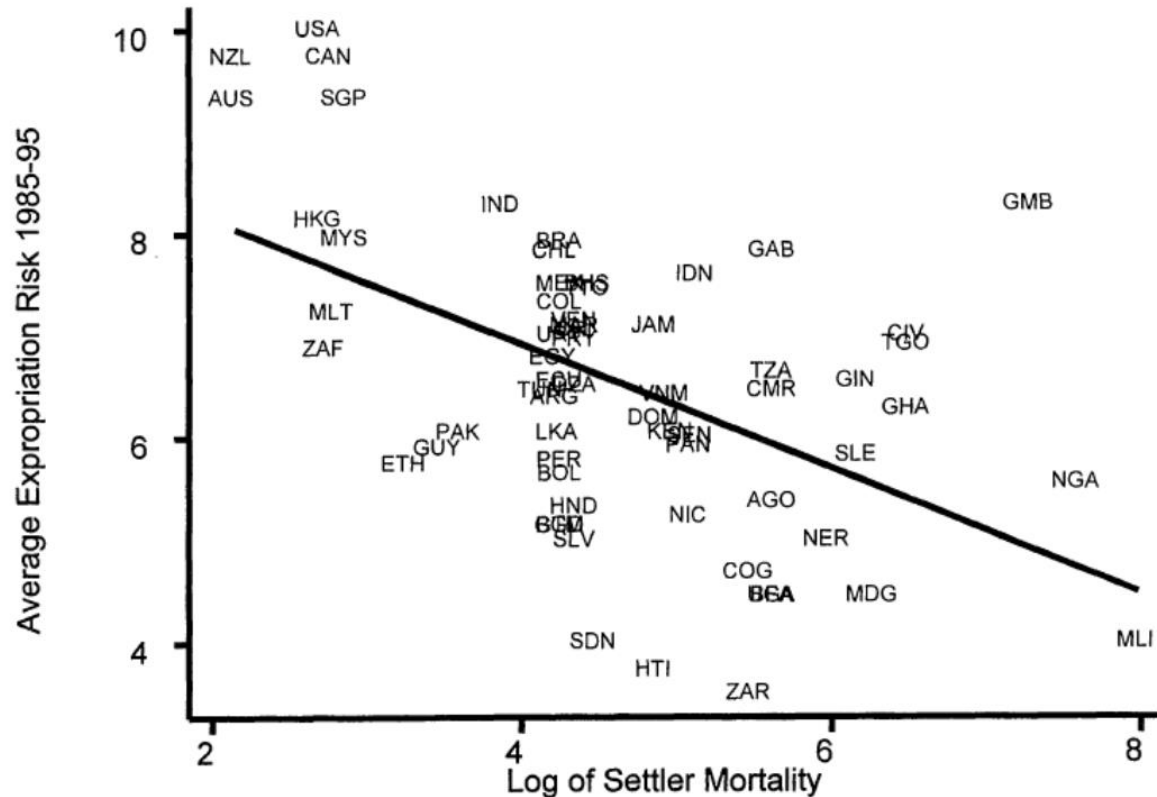


FIGURE 3. FIRST-STAGE RELATIONSHIP BETWEEN SETTLER MORTALITY AND EXPROPRIATION RISK

Source: Acemoglu, , Johnson, and Robinson (2001)