

COMPARATIVE POLITICAL ECONOMICS (cod. 5117) - 2007/08

Instructors: Vincenzo GALASSO, Paolo GRAZIANO, and Tommaso NANNICINI
Coordinator of the Course: Vincenzo GALASSO

Introduction to the course

The course is designed to provide the participants with an introduction to modern political economics. The aim is to explain the determination of economic policy in modern democracies and to analyze how these policies may differ according to the different political institutions in place. The first part of the course (taught by P. Graziano) will provide a general introduction to comparative political analysis. In particular, the focus will be on themes such as models of democracy, welfare state politics, differences among political institutions, political parties and interest groups in contemporary democratic regimes. The second part (taught by V. Galasso) will also compare the welfare states across industrialized countries, with special emphasis on the pension systems and the labor market, and discuss the political feasibility of structural reforms. It will also address the differences in economic policies that may arise from the political institutions, with particular emphasis on the analysis of the electoral rule and of the regime type. The third part (taught by T. Nannicini) concentrates more on the role of the politicians - how their selection and behaviour are shaped by the economic and political incentives they face.

Detailed Course Content

PART I: COMPARATIVE POLITICS AND THE WELFARE STATE

9 Lectures (2/19-3/18)

Instructor: P. Graziano

Room: Zappa

Textbooks:

- A. Lijphart, *Patterns of democracy*, New Haven and London, Yale University Press, 1999.
- P. Graziano and M. Vink, *Europeanization. New Research Agendas*, Palgrave Macmillan, 2007
- Articles and book chapters (see below)

Lecture 1: Introduction: politics, political regimes, policies

- ◆ J. Linz and A. Stepan (1996), *Problems of democratic transition and consolidation*, Baltimora, The Johns Hopkins University Press, Chapters 1-2

Lecture 2: The evolution of democratic regimes

- ◆ A. Lijphart, *Patterns of democracy*, Chapters 1-3

Lecture 3: Institutions and political actors of democratic regimes I

- ◆ A. Lijphart, *Patterns of democracy*, Chapter 4-5

Lecture 4: Institutions and political actors of democratic regimes II

- ◆ A. Lijphart (1999), *Patterns of democracy*, Chapters 6-7

Lecture 5: Institutions and political actors of democratic regimes III

- ◆ A. Lijphart (1999), *Patterns of democracy*, Chapters 8-9

Lecture 6: Between politics and policies: the welfare state

- ◆ P. Pierson (ed) (2001), *The new politics of the welfare state*, Oxford, Oxford University Press, Chapter 3

Lecture 7: The determinants of welfare state reform: internal challenges

- ◆ M. Ferrera and A. Hemerijck (2003), “Recalibrating Europe’s Welfare Regimes”, in J. Zeitlin and D. Trubeck (eds), *Governing Work and Welfare*, Oxford University Press

Lecture 8: The determinants of welfare state reform: external challenges

- ◆ P. Graziano (2003), “Europeanisation vs. globalisation?”, *Global Social Policy*
- ◆ P. Graziano and M. Vink (2007), Chapter 1

Lecture 9: The political determinants of welfare state reform: some empirical evidence

- ◆ P. Pierson (ed) (2001), *The new politics of the welfare state*, Oxford, Oxford University Press, Chapter 8
- ◆ P. Graziano and M. Vink (2007), Chapter 15

PART II: WELFARE STATE and COMPARATIVE POLITICAL ECONOMICS

15 Lectures (3/20-6/3):

Instructor: V. Galasso

Room: Zappa

Textbooks: Galasso, 2005, Handouts in Comparative Political Economics.

Galasso, 2006, *The Political Future of Social Security in Aging Societies*, MIT Press

(*) indicates required readings

Lecture 1: Tools of Political Economics: Voting Models

- ◆ (*) Galasso, 2005, Handouts in Comparative Political Economics, ch. 1
- ◆ Persson and Tabellini, “Political Economics”, MIT Press 2000, ch. 1.

Lecture 2: Tools of Political Economics: Probabilistic Voting

- ◆ (*) Galasso, 2005, Handouts in Comparative Political Economics, ch. 2
- ◆ Persson and Tabellini, “Political Economics”, MIT Press 2000, ch 3.4.

Lecture 3: Tools of Political Economics: Lobbying

- ◆ (*) Galasso, 2005, Handouts in Comparative Political Economics, ch. 3
- ◆ Persson and Tabellini, “Political Economics”, MIT Press 2000, ch 7.3.
- ◆ Olson, M. (1965) “The logic of collective action” Cambridge: Harvard University Press.

Lecture 4: Tools of Political Economics: Exercises

----- **MIDTERM EXAM: Friday April 18th 8:30 am** -----

Lecture 5: Welfare state and redistributive policies: A Comparison across Europe. Data, Facts and Relevant Issues.

- ◆ (*) Galasso, 2005, Handouts in Comparative Political Economics, ch. 4
- ◆ Boeri T. A Borsch Supan and G Tabellini (2001) “Would you like to shrink the welfare state? A survey of European Citizens” *Economic Policy*

Lecture 6: *Thursday, April 26:* Welfare state and redistributive policies: General Transfers

- ◆ (*) Galasso, 2005, Handouts in Comparative Political Economics, ch. 5

- ◆ Persson and Tabellini, “Political Economics”, MIT Press 2000, ch. 6.1
- ◆ Meltzer, A., and S. Richard, (1981) “A Rational Theory of the Size of Government,” *Journal of Political Economy*.

Lecture 7: Welfare state and redistributive policies: An overview of the Pension Systems

- ◆ (*) Galasso, 2006, *The Political Future of Social Security in Aging Societies*, MIT Press ch. 1 and 2.
- ◆ World Bank, “Averting the Old Age Crises” 1994
- ◆ Mulligan, C.B., Sala-i-Martin, X., (1999) “Social Security in theory and practise: Facts and Political Theories” NBER working paper #7118.

Lecture 8: Welfare state and redistributive policies: Pension Systems and the Political Game

- ◆ (*) Galasso, 2006, *The Political Future of Social Security in Aging Societies*, MIT Press ch. 1 and 2.
- ◆ Persson and Tabellini, “Political Economics”, MIT Press 2000, ch 6.2

Lecture 9: Welfare state and redistributive policies: the Future of the Pension Systems.

- ◆ (*) Galasso, 2006, *The Political Future of Social Security in Aging Societies*, MIT Press ch. 4 and 11, and one chapter of your choice between chapter 5 to 10.

Lecture 10: Welfare state and redistributive policies: labor market regulations and unemployment benefits.

- ◆ (*) Galasso, 2005, *Handouts in Comparative Political Economics*, ch. 6
- ◆ Persson and Tabellini, “Political Economics”, MIT Press 2000, ch 6.4,
- ◆ Saint Paul, G. (1996) “Exploring the Political Economy of Labor Market Institutions”, *Economic Policy*

Lecture 11: Welfare state and redistributive policies: Exercises

- ◆ (*) Galasso, 2005, *Handouts in Comparative Political Economics*, ch. 7

Lecture 12: Political Feasibility of Structural Reforms in the labor and product market

- ◆ (*) Dang, Galasso, Hoj and Nicoletti, 2006, “The Political Economy Of Structural Reform: Empirical Evidence from OECD Countries”, OECD working paper
- ◆ Castanheira et al. “How to gain Political Support for Reforms” in “Structural Reforms Without Prejudices” edited by T. Boeri, M. Castanheira, R. Faini, e V. Galasso, 2006, Oxford University Press.

Lecture 13: Electoral rules, Political Regime and Economic Policy: Some Facts and a Model of Politics of Electoral Competition

- ◆ (*) Persson and Tabellini, “Political Economics”, MIT Press 2000, ch 8.1, 8.2, 8.3

Lecture 14: Electoral rules and Economic Policy: Single vs. Multiple District Elections; Electoral rules, Political Regime and Economic Policy: an Introduction to Presidential-Congressional vs. Parliamentary regimes

- ◆ (*) Persson and Tabellini, “Political Economics”, MIT Press 2000, 8.4, 8.6; Ch. 9 and 10 (introduction only)

Lecture 15 (June 3rd): Exercises and Recap

PART III: THE ECONOMICS OF POLITICAL SELECTION

3 Lectures (5/27-5/29)

Instructor: T. Nannicini

References:

- ◆ (*) Besley, T. (2005), “Political Selection,” *Journal of Economic Perspectives*, 19(3), 43-60.
- ◆ (*) Merlo, A. (2006), “Whither Political Economy?,” in R. Blundell, W. Newey, and T. Persson (eds.), *Advances in Economics and Econometrics, Theory and Applications: Ninth World Congress of the Econometric Society*, Vol. I, 381-421, Cambridge University Press. (only par 3 – “Politicians”)

Lecture 1: Who Gets on Top in Politics? And Does It Matter?

- Political selection: theoretical overview and some empirical evidence.

Lecture 2: Economic incentives and political selection

- Market opportunities: the effect of pre-election, outside, and post-election income.
- Paying politicians: the effect of politicians’ remuneration.

Lecture 3: Institutional factors and political selection

- Electoral Rules. Primaries. Political Competition.

----- **2nd MIDTERM and GENERAL EXAM: Monday June 9th, 14.30 pm** -----

Exams: There are only written exams. You have two options:

1. You may take the two midterms: a 1st mid-term will cover the material taught in Graziano’s part and in the first 4 lectures in Galasso’s part; a 2nd mid-term will cover the remaining material in Galasso’s part and in Nannicini’s part. In this case the exam will be considered as passed *only if* in both mid-terms the grade is at least 18/30.
2. You may take a general exam, covering the all material. If you take the general on June 9th, you will have a choice of 3 questions out of 4 (one from Graziano’s part, two from Galasso’s and one from Nannicini’s). In all later exams, you will have three questions (one from Graziano’s part and two from Galasso’s).
 - You have to register at any “Punto Blu” in order to take the exam.
 - *Notice this new rule:* If you are not on the list provided to me by the Bocconi Registrar, you will **NOT** be able to take the exam. No exceptions are possible under any circumstances.
 - At the end of each exam (mid-term or general), students have to sign the exam sheet. They may choose to sign for the exam to be graded or alternatively for the exam **not** to be graded. In the latter case, they will have to take the exam again in the future. Unsigned exams will not be graded.

Useful Information:

- All class-notes and link to other reading material are available online at www.igier.unibocconi.it/galasso
- Copies of past exams are available at the S.I.D. (Servizio Informazioni Didattica), Istituto di Economia Politica, room 313, 3rd floor, via Gobbi, 5. Whenever possible, the material will also be made available on line at “Bacheca elettronica dell’Istituto di Economia Politica”.
- Students will have access to a tutor, who will hold office hours every week.

Office Hours: TBA