LECON2904-Political Economics: Explaining Economic Policies

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Course objectives
The main objective of the course is to introduce the students to the modern models of political economics (i.e., economic models of the formation of policies), both from theoretical and empirical standpoint. This is the focus of Parts I and II of the course. The second objective is to present the applications of these models to explain existing variations in some key policies: overall government size, labour market institutions, and public health. This is the focus of the Part III of the course.

Textbook and materials
The (relatively advanced) text on which a large part of the course is built is: T. Persson and G. Tabellini, Political Economics: Explaining Economic Policy, Cambridge, MA: MIT Press, 2000 (PT hereafter). We will also use several journal articles and working papers. Moreover, we will rely on a set of draft lecture notes, prepared by your colleagues during the previous years.

An important part of the course consists in active learning by students, which takes the form of reading and presenting the empirical papers in small groups (2-3 people). At the first lecture, we will assign papers (marked below by a *) to groups. Each presentation lasts 50 minutes (discussion included) and consists of presenting to the class the empirical results of the section of the paper that tests the models/theories presented at the previous lecture.

Grading
The final exam is closed-book and will last two hours. It will consist of four questions: two theoretical and two empirical. The grading structure is as follows:
1) The exam is graded on 14 point basis (out of 20).
2) For the presentations prepared by each group, I will add between up to 4 points to your final exam grade.
3) High-quality comments and active participation in discussions during the lectures and presentations will result in a bonus of up of 2 points towards your final grade.
Course outline and readings
Lecture 1. General introduction
- PT, chs. 1,2

Part I. Basic Building Blocks
Lectures 2-3. Electoral competition without political rents
(a) Electoral competition between opportunistic politicians
- PT, chs. 3.1-3.4
(b) Electoral competition between ideologically-motivated politicians
- PT, ch. 5.1-5.3

Lecture 4. Electoral competition with political rents
- PT, chs. 4.1-4.4

Lecture 5. Lobbying
- PT, ch. 3.5

Lecture 6. Legislative Bargaining
- PT, ch. 5.4

Part II. Advanced Topics
Lecture 7. Political selection and quality of politicians

Lecture 8. Role of media in political economics

Lecture 9. Bureaucracies

Part III. Applications to specific policies
Lecture 10. Government size 1: Basic model
- PT, ch. 6.1
   Lecture 11. Government size 2: Multiple equilibria
- PT, ch. 6.4
   Lecture 13. Public health
   Lecture 14. Conclusion, discussion, and "research frontier" in political economics.