Topics in Applied Economics I: Explaining Economic Policy

2017-2018 Academic Year
Master of Research in Economics, Finance and Management

1. Description of the subject

- Topics in Applied Economics I
- Total credits: 3 ECTS
- Type of subject: Elective
- Department of Economics and Business
- Teaching team: Giacomo Ponzetto
- Code: 32086
- Workload: 75 hours
- Term: 2nd
2. Teaching guide

○ Introduction

In the last decades, a thriving research program in political economics has shown that the positive understanding of economic policy, and of economic phenomena more broadly, requires the careful consideration of the political process through which policies are determined and of the political institution under which markets operate.

○ Contents

The objective of this course is to introduce the students to the tools and models that underpin active research in political economy. While the methodological focus of the class is theoretical, our analysis is motivated by empirical evidence and we will cover empirical as well as theoretical papers. Furthermore, the modeling tools presented in this course are an essential prerequisite to understand recent empirical research in the area.

○ Teaching methodology

The lectures are based on the following textbook, which is required reading:


Other recommended reference books are the following:


In addition to the textbook, we will cover recently published articles. A detailed list of the readings for each topic will be given in class. A preliminary list is provided in section 3. Lecture notes will be made available. The seminal papers that underlie the textbook analysis are not explicitly included in the reading list, but you are naturally encouraged to refer to the primary sources for an in-depth analysis of any topic.

○ Assessment and Grading System

The assignments for the course are intended to foster engagement with the current research frontier and to stimulate creative thinking about the students’ own research projects. There will be no problem sets nor a final exam. Instead, there are two requirements:

1) At the beginning of each week, each student must send the instructor an email with personal thoughts, criticisms, and ways forward on the topics to be covered in the following week. The email should be at least one page but no more than two. Advance reading the materials will help frame your questions and organize ideas. However, you should never summarize the readings, but rather propose new directions for future research.

2) One week after the last class, each student must submit a final project. The project should be around 6 and no more than 10 pages long and can be any of the following:
   a. The proposal for an original paper.
b. A sufficiently challenging extension of an existing model or replication of an existing empirical analysis, which might become the basis of a paper.

c. A critical survey of the literature on a specific topic that was not extensively covered in class.

d. Referee reports on two important articles published in the last few years.

Any of the projects must be discussed beforehand with the teacher.

The weekly assignments (1) and active participation to classroom discussion will count for 30% of the final grade, and the final project (2) will count for the remaining 70%. Grading will take into account that projects belonging to types (a) and (b) are more challenging than those of types (c) and (d).
3. Programme of activities

- Description of the subject: Topics in Applied Economics II
- Total credits: 3 ECTS
- Total number of hours: 20
- Estimated time spent on the subject: 75
  - In the classroom: 20
  - Outside the classroom: 55

The following outline sketches the topics covered in the course. Required readings are marked by a star. The reading list is subject to marginal changes before and during the class.

Majority Rule: The Median Voter


Probabilistic Voting

* Persson and Tabellini § 2.3, 3.4, 7.1, and 7.4.


Voter Rationality and Incentives to Vote


Heterogeneous Voter Information


Lobbying

* Persson and Tabellini (2000) § 3.5, 7.3 and 7.5.1.


Policy-Motivated Politicians: Partisanship and Citizen Candidates

* Persson and Tabellini (2000) § 5.1-5.3.


Rent-Seeking Politicians: Political Agency


Voter Information and Political Decentralization


Legislatures and Electoral Rules

* Persson and Tabellini (2000) § 5.4, 7.2, 7.5.2-7.5.3, Ch. 8 and 10.


Macroeconomic Dynamics and the Commitment Problem