

Political Economics

Lecture Nr. 15965-01, Fall 2024

Prof. Dr. Alois Stutzer, alois.stutzer@unibas.ch

Start:	Tuesday, September 17, 2024
Time:	4:15–6:00 p.m.
Place:	WWZ, Peter Merian-Weg 6, Seminarraum S14 HG.32
	The course is planned as an in-class course.
Duration:	1 semester
Frequency:	Every fall semester
Credit points:	3 CP
Module:	See the list in the online course directory.
Condition of participation:	Completed bachelor's degree in economics. For non-faculty students, prior attendance of the course "Einführung in die Politische Ökonomie" is recommended.
Teaching assistant:	Kelly Liu, kelly.liu@unibas.ch
Last update:	02.05.2024

I. General information

The economic approach helps gaining a better understanding of political institutions and processes as well as the outcomes in terms of economic and fiscal policy. The lecture focuses on the scientific discussion of theoretical models and related empirical research, as well as the possibilities and limitations of political economics. To facilitate such a discussion, students are expected to read the assigned texts in advance and to actively participate in the course.

II. Credit points and grading

A written exam will be conducted at the end of the course. The performance will be graded. 3 credits will be awarded for successful completion of the course.

III. Literature

The introductory literature for each topic is indicated in the program with an *I*. The further literature is indicated under *F*. In addition, basic texts *B* are referenced for some topics. Please consult the relevant papers if you have difficulty with the introductory literature. Additional works will be referred to during the course.

Electronic files of the listed literature will be made available to participants online via ADAM.

Current handbook:

- Congleton, Roger D., Bernard N. Grofman und Stefan Voigt (Hrsg.) (2019). *The Oxford Handbook of Public Choice*. Vol. 1 and 2. New York: Oxford University Press.
Accessible online via University of Basel (and VPN)

Monographies about the topic:

- Mueller, Dennis C. (2003). *Public Choice III*. Cambridge, New York and Melbourne: Cambridge University Press.
- Besley, Timothy (2006). *Principled Agents? The Political Economy of Good Government*. Oxford: Oxford University Press.

IV. Expected schedule

Date	Topic
Part 1	Politics from the perspective of political economy
17 September	Introduction: <i>homo oeconomicus</i> in politics I: Congleton (2019)
24 September	Why is there a state? I: Ostrom (1998) F: Acemoglu (2003) B: Mueller (2003): Chap. 2-3
01 October	Models of government behavior I: Mueller (2003): Chap. 11-12
08 October	Models of government behaviour: political selection I: Besley (2005) F: Braendle and Stutzer (2019)
Part 2	Fundamental political institutions
15 October	Economic theory of representative democracy I I: Persson and Tabellini (2004) B: Mueller (2003): Chap. 13.1-13.6
22 October	Economic theory of representative democracy II I: Persson and Tabellini (2004) B: Mueller (2003): Chap. 13.1-13.6 F: Funk and Gathmann (2013), Eichenberger and Schafer (2022)
29 October	Economic theory of direct democracy I: Frey and Stutzer (2006) F: Matsusaka (2018), Stutzer et al. (2019)
05 November	Economic theory of federalism I: Oates (2005) F: Eichenberger and Frey (2006), Kantorowicz (2019)

Part 3 **Key actors in the political process**

12 November	Interest groups I: Heckelman (2019), Hillman and Van Long (2019) F: Bertrand et al. (2014)
19 November	Bureaucracy and corruption I: Mueller (2003): Chap. 16, Aidt (2019) F: Ferraz and Finan (2011)
26 November	Media I: Strömberg (2015), Leeson (2008)
03 December	Behavior of voters and politicians Research window I: Balles et al. (2024)
10 December	Written exam

V. Bibliography

- Acemoglu, Daron (2003). Why not a Political Coase Theorem? Social Conflict, Commitment, and Politics. *Journal of Comparative Economics* 31(4): 620-652.
- Aidt, Toke (2019). Corruption. In: Congleton, Roger D., Bernard N. Grofman und Stefan Voigt (Hrsg.). *The Oxford Handbook of Public Choice*. Vol. 1. New York: Oxford University Press: 604-627.
- Balles, Patrick, Matter, Ulrich and Stutzer, Alois (2024). Special Interest Groups versus Voters and the Political Economics of Attention. Accepted for publication in *The Economic Journal*.
- Bertrand, Marianne, Bombardini, Matilde, and Trebbi, Francesco (2014). Is It Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process. *American Economic Review* 104(12):3885-3920.
- Besley, Timothy (2005). Political Selection. *Journal of Economic Perspectives* 19(3): 43-60.
- Braendle, Thomas and Stutzer, Alois (2019). Voters and Representatives: How Should Representatives be Selected? In: Congleton, Roger D., Bernard N. Grofman und Stefan Voigt (Hrsg.). *The Oxford Handbook of Public Choice*. Vol. 2. New York: Oxford University Press: 24-43.
- Congleton, Roger D. (2019). Rational Choice and Politics: An Introduction to the Research Program and Methodology of Public Choice. In: Congleton, Roger D., Bernard N. Grofman und Stefan Voigt (Hrsg.). *The Oxford Handbook of Public Choice*. Vol. 1. New York: Oxford University Press: 3-24.
- Eichenberger, Reiner and Frey, Bruno S. (2006). Functional, Overlapping and Competing Jurisdictions (FOCJ): A Complement and Alternative to Today's Federalism. In: Ehtisham

- Ahmad and Giorgio Brosio (eds.). *Handbook of Fiscal Federalism*. Cheltenham: Edward Elgar: 154-181.
- Eichenberger, Reiner and Schafer, Patricia (2022). On Curing Political Diseases: The Healing Power of Majoritarian Elections in Multi-Member Districts. *Homo Oeconomicus*.
- Ferraz, Claudio and Finan, Frederico (2011). Electoral Accountability and Corruption: Evidence from the Audits of Local Governments. *American Economic Review* 101(4): 1274-1311.
- Frey, Bruno S. and Stutzer, Alois (2006). Direct Democracy: Designing a Living Constitution. In: Roger D. Congleton und Birgitta Swedenborg (eds). *Democratic Constitutional Design and Public Policy, Analysis and Evidence*. Cambridge: MIT Press.
- Funk, Patricia and Gathmann, Christina (2013) How do Electoral Systems Affect Fiscal Policy? Evidence from Canton Parliaments, 1890-2000. *Journal of the European Economic Association* 11(5): 1178-1203.
- Heckelman, Jac C. (2019). Collective Action. In: Congleton, Roger D., Bernard N. Grofman und Stefan Voigt (Hrsg.). *The Oxford Handbook of Public Choice*. Vol. 1. New York: Oxford University Press: 467-488.
- Hillman, Arye L. and Van Long, Ngo (2019). Rent seeking: The social cost of contestable benefits. In: Congleton, Roger D., Grofman, Bernard N. and Voigt, Stefan (Hrsg.). *The Oxford Handbook of Public Choice*. Vol. 1. New York: Oxford University Press: 489-518.
- Kantorowicz, Jaroslaw (2019): Federalism. In: Congleton, Roger D., Grofman, Bernard N. and Voigt, Stefan (Hrsg.). *The Oxford Handbook of Public Choice*. Vol. 2. New York: Oxford University Press: 72-93.
- Leeson, Peter (2008). Media Freedom, Political Knowledge, and Participation. *Journal of Economic Perspectives* 22(2): 155-170.
- Matsusaka, John G. (2018). Public Policy and the Initiative and Referendum: A Survey with Some New Evidence. *Public Choice* 174(1-2): 107-143.
- Oates, Wallace E. (2005). Toward a Second-Generation Theory of Fiscal Federalism. *International Tax and Public Finance* 12(4): 349-373.
- Ostrom, Elinor (1998). A Behavioral Approach to the Rational Choice Theory of Collective Action. *American Political Science Review* 92(1): 1-22.
- Persson, Torsten and Tabellini, Guido (2004). Constitutions and Economic Policy. *Journal of Economic Perspectives* 18(1): 75-98.
- Strömberg, David (2015). Media and Politics. *Annual Review of Economics* 7: 173-205.
- Stutzer, Alois, Baltensperger, Michael and Meier, Armando N. (2019). Overstrained Citizens? The Number of Ballot Propositions and the Quality of the Decision Process in Direct Democracy. *European Journal of Political Economy* 59: 483-500.