

Laudatio for Guido Tabellini

When a few months ago, Professor Sinn invited me to give the laudatio for the prize that Guido Tabellini would receive from the Center for Economic Studies at the University of Munich, I was particularly happy. It brought back to my memory the first time I met Guido. It was in 1984, the year he got his Ph.D. from UCLA. He was among the small group of graduating students who are brought to the IMF in an annual program called the Summer Intern Program. The chosen candidates spend three months at the IMF, mostly doing research. I remember well the two impressions that he made on me. First that of a pleasant, reserved, and almost shy individual. Second, that of a very good economist. I still remember the paper that he wrote entitled "International Tax Comparisons Reconsidered." In this paper he challenged some of the common assumptions. At that time I thought that Guido would go a long way in his professional achievement. But, I could not have guessed just how far he would go.

Within the relatively short span of 15 years he has acquired a well-deserved reputation as one of the brightest stars in the economic firmament. The fact that he becomes the CES Distinguished Fellow for 1999 at the young age of 43 attests to his professional standing. He shares this distinction with other major economists such as Atkinson, Tirole and Dixit.

After spending a few years teaching in the United States, at Stanford and UCLA, he reversed the flow of the brain drain by going back to Italy. He did this in spite of the fact that, especially for the initial years, he had to teach at universities away from the main centers. He finally settled at the Bocconi University. The decision to go from UCLA to the University of Cagliani, his first destination, must have been a particularly difficult one to make. The fact that he made it and that his work did not suffer as a consequence is a clear indication of his strong character and his great ability.

The recognition that he is receiving today is for outstanding work in political economy, public choice, and monetary policy. In all these areas he has done seminal work either alone or in collaboration with economists such as Persson, Alesina and others. There are two distinguishing aspects to this work. First, it has been done predominantly by continental Europeans, thus, in a way, challenging the cultural hegemony of the American (and British) economists. Second, it is very innovative and has opened new horizons. The work on the political economy of public debt, on fiscal federalism, on economic institutions such as central banks, and on other areas has generated highly useful results for areas which in the

past had, in part, been left to political scientists. I recently heard a leading political scientist complain that much of the interesting work in political science is now being done by economists. He seemed to regret that economists had invaded political science. He must have been thinking of Guido when he made that observation.

Tabellini's work reflects a belief that, through deep research and hard work, it is possible to see a pattern emerge out of what at first sight may seem to be chaos. The work is based on the view that political processes can be modeled and that important results can be extracted from these models. The importance of concepts such as policy credibility and time consistency is often highlighted in these models. In his work economic policy is determined endogenously because it results from choices made by rational policy makers or by rational voters. This is positive economics at its best.

While the work of Tabellini and other contributors to this literature is related to the more traditional public choice literature of Anthony Downs, James Buchanan, Mancur Olson and others, it is interesting to note that Dennis Mueller's latest survey of public choice published in 1997 did not refer to this new body of literature. One can speculate on the reasons for this omission and on the differences between the traditional public choice literature and the new literature to which Tabellini has contributed so much. Perhaps it can be generalized that while the traditional public choice literature analyzes how political processes and outcomes can be motivated and understood in terms of economic principles, the new literature probes how economic policy making and its consequences can be shaped by political forces and institutions. Thus, it has strong messages on how institutions could be changed.

The areas covered by Tabellini's work are very wide. Recently we have learned from his work that "presidents come cheap" in terms of public spending while social security taxes are expensive in terms of lost employment.

I expect that Tabellini's work will continue to develop and influence a growing number of economists. Perhaps he will direct his formidable insight to still other areas such as the working of the international financial system. He certainly has many years left during which he will continue to influence the economic profession in a way that few economists do. We will continue reading with pleasure and enlightenment his papers and books.

I wish to end by congratulating Guido for his work and for this prize and the CES for its choice. I also wish to thank Hans-Werner Sinn for the honor he gave me with his invitation.

Vito Tanzi