GRA 5919 Political Economy and Macroeconomics

Programme
Advanced Specialization Course (MSc), Master of Science in Political Economy

Responsible for the course

Department

Term
According to study plan

ECTS Credits
6

Language of instruction
English

Introduction
This is one of the School's four courses dedicated to core questions in political economy, in this case the quest for economic stability. It requires no previous knowledge, but is primarily designed for students taking the MSc in Political Economy and therefore assumes some knowledge of political processes and policy making.

The central themes include the interplay between political institutions and macroeconomic policy, comparative analysis of economic policy regimes, and supranational economic and monetary unions.

Learning outcome
This course addresses the interplay between democratic institutions and macroeconomics, and particularly how democratic institutions affect economic performance and the quest for macroeconomic stability. The central focus is therefore on efforts to control inflation, deficits, currency volatility and promote (sustainable) economic growth. Answers are sought both by modeling macroeconomic outcomes as equilibria of political games and confronting the resulting predictions with (field and experimental) data to check how well they fare. The course addresses a series of questions about the relationship between political institutions and macroeconomic performance on a comparative basis. This include the effect of different electoral systems, presidential arrangements, minority and coalition government, parliamentary procedures and budget rules on outcomes, as well as the merits of independent central banks and the effect of electoral cycles.

Prerequisites
Bachelors degree qualifying for admission to the MSc Program

Compulsory reading

Collection of articles:
Compendium of Journal Articles, including articles/chapters by Alesina, Besley, Paldam, von Hagen, Tsebelis

Other:
A list of compulsory readings will be provided on Blackboard or in class.
During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

Recommended reading
Books:
Alesina, Alberto F. and Nouriel Roubini. 1997. Political cycles and the macroeconomy. Cambridge, Mass.: MIT Press
Cox, Gary W.. 1997. Making votes count : strategic coordination in the world's electoral systems. Cambridge: Cambridge University Press
Drazen, Allan. 2000. Political economy in macroeconomics. Princeton, N.J. : Princeton University Press
Gibbons, Robert. 1992. A primer in game theory. New York: Harvester Wheatsheaf
Krehbiel, Keith. 1991. Information and legislative organization. Ann Arbor, Mich.: University of

Michigan Press
Persson, Torsten and Guido Tabellini. 2000. Political economics : explaining economic policy. Cambridge, Mass. : MIT Press
Romer, David H. 2006. Advanced macroeconomics. 3rd ed. Boston, Mass. : McGraw-Hill/Irwin
Tsebelis, George. 2002. Veto players : how political institutions work. Princeton, N.J. : Princeton University Press

Other:
Individual journal articles and book chapters available in the library and/or electronically will be recommended as further reading.

Course outline
1. Macroeconomic issues in political economy: theories and approaches. Competing approaches to economic stabilisation (inflation, unemployment, deficits, currency stability).
2. Comparative analysis of political systems by veto players, electoral institutions and fiscal constitutions.
3. Macroeconomic outcomes as equilibria of political games. Benevolent dictator/political games approaches to inflation, unemployment, debt and deficits.
4. Macroeconomic policies, games and outcomes: politics, deficits and debts. Institutional arrangements and political games, Central bank independence, political and business cycles, special interests, strategic play of current against future governments.

Computer-based tools
None

Learning process and workload
36 hours.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book.

Examination
Individual term paper (80 %) and in-class presentation (20%).
Both parts of the evaluation need to be passed in order to get a grade in the course.

Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for term papers or other hand-ins, and/or where class participation can be one of several elements of the overall evaluation.

Exam code(s)
GRA 59191 accounts for 100 % of the final grade in the course GRA 5919.

Examination support materials
A bilingual dictionary.
 Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary.
http://www.bi.edu/studenthandbook/examaids

Re-sit examination
Re-takes are only possible at the next time a course will be held. When the course evaluation has a separate exam code for each part of the evaluation it is possible to retake parts of the evaluation. Otherwise, the whole course must be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee

Additional information
Honor Code
Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.