



APPLIES TO ACADEMIC YEAR 2012/2013

## GRA 5919 Political Economy and Macroeconomics

### Programme

Master of Science in Political Economy, Specialization Course

### Responsible for the course

Jørgen Juel Andersen

### Department

Department of Economics

### 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 with relation to macroeconomics. 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, and comparative analysis of economic policy regimes.

### 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 fiscal policy and deficits, monetary policy and inflation, and long run economic growth. Answers are sought both by modeling macroeconomic outcomes as equilibria of political games, and by confronting the resulting predictions with data to check how well they fare. The topics covered in the course 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

Bachelor degree qualifying for admission to the MSc Programme

### 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 It's learning 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. MIT Press

Cox, Gary W.. 1997. Making votes count : strategic coordination in the world's electoral systems. Cambridge University Press

Drazen, Allan. 2000. Political economy in macroeconomics. Princeton University Press

Gibbons, Robert. 1992. A primer in game theory. Harvester Wheatsheaf

Krehbiel, Keith. 1991. Information and legislative organization. University of Michigan Press

Persson, Torsten and Guido Tabellini. 2000. Political economics : explaining economic policy. MIT Press

Romer, David H. 2012. Advanced macroeconomics. 4th ed. McGraw-Hill/Irwin  
Tsebelis, George. 2002. Veto players : how political institutions work. 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; inflation, unemployment, debt and deficits.
4. Institutional arrangements and political games, Central bank independence, political and business cycles, special interests, strategic play of current against future governments.

**Computer-based tools**

It's learning

**Learning process and workload**

A course of 6 ECTS credits corresponds to a workload of 160-180 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/It's learning 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.

This is a course with continuous assessment (several exam elements) and one final exam code. Each exam element will be graded using points on a scale (e.g. 0-100). The elements will be weighted together according to the information in the course description in order to calculate the final letter grade for the course. You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site in It's learning.

**Examination 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**

It is only possible to retake an examination when the course is next taught.

The assessment in some courses is based on more than one exam code.

Where this is the case, you may retake only the assessed components of one of these exam codes.

Where this is not the case, all of the assessed components of the course must be retaken.

All retaken examinations will incur an additional 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.