

Applied Macro and Political Economy

Jose Mauricio Prado

July 22, 2008

This course is intended as an introduction to macroeconomics in a political economy perspective. It is structured in three building blocks of two lectures each. The course presents initially the workhorse models of political economics. Then, economic policy and political institutions are analyzed. Finally, economic reform and commitment are discussed using dynamic politico-economic tools.

Lecture	Hours	Contents	Readings
#1 - Sep 24th	3	Introduction to political economics. Preferences and institutions	P-T (Ch. 2), A-R (Ch. 4)
#2 - Oct 1st	3	Electoral Competition	P-T (Ch. 3), A-R (Ch. 4)
#3 - Oct 8th	3	Economic Policy: Electoral Rules	P-T (Ch. 8), A-R (Ch. 4)
#4 - Oct 15th	3	Economic Policy: Political Regimes	P-T (Ch. 10)
#5 - Oct 22nd	3	Dynamic Politics: Pace of Reforms	GR (Ch. 2)
#6 - Oct 29th	3	Dynamic Politics: Commitment	P-T (Ch. 11)
#7 - Nov 5th	3	Final Presentations	
Total	21		

1 Tools of Political Economics

The two lectures on this part introduces the analytical tools, which are a prerequisite for the remainder of the course. First, we start by understanding preferences and institutions, then we follow suit to study electoral competition models, like the median-voter model and probabilistic voting.

1. Persson and Tabellini (2003), Chapters 2 and 3
2. Acemoglu and Robinson (2006), Chapter 4

2 Political Institutions and Economic Policy

This two lectures focus on a very general economic model of government taxation and spending to address comparative politics: how do different political

institutions or constitutional arrangements shape economic policy? On the electoral system, majoritarian versus proportional elections are contrasted; on the constitutional side, the contrast is on presidential versus parliamentary regimes.

1. Persson and Tabellini (2003), Chapters 8 and 10
2. Acemoglu and Robinson (2006), Chapter 4

3 Dynamic Politics

In this two lectures, we start by analyzing the effects of political constraints on the speed and sequencing of economic reforms. Then, we proceed to discuss some dynamic policy problems and the role of commitment. As examples, we deal with taxation and public debt models.

1. Roland (2000), Chapter 2
2. Persson and Tabellini (2003), Chapter 11

References

- [1] Acemoglu, Daron and James A. Robinson (2006): "Economic Origins of Dictatorship and Democracy", Cambridge University Press.
- [2] Persson, Torsten and Guido Tabellini (2003): "Political Economics: Explaining Economic Policy", MIT Press.
- [3] Roland, Gérard (2000): "Transition and Economics. Politics, Markets, and Firms", MIT Press.