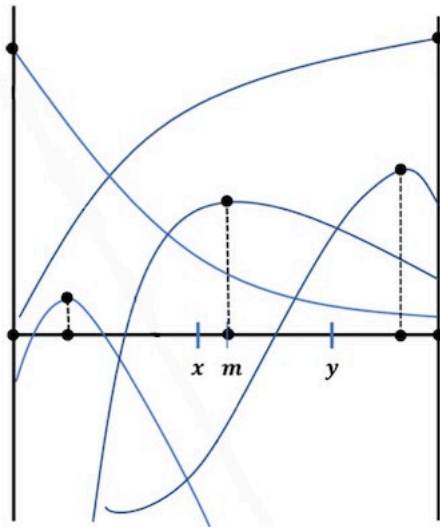


Please answer Question 1 and two questions from 2-5

1. Question on PLSC 705 (Introduction to Political Economy):

Examine Figure 3 in the lecture '8b. Median voter theorem,' reproduced below, which illustrates the utility functions of five voters on a unidimensional space.



The median ideal point

- Now delete the voter (and her utility function) whose ideal point is the median ideal point,  $m$ . Assume we are in the classical situation of two opportunist politicians each of whom wishes to propose policies that will maximize his/her vote share given what the opponent is playing. What will the voting equilibrium look like in this situation?
- State the median voter theorem.
- Prove the median voter theorem (you may use pictures).
- How might you challenge the internal consistency of the median voter theorem?
- State fully the definition of an *endogenous party Wittman equilibrium* (EPWE) for a unidimensional policy space. You may denote the probability the policy  $t^A$  defeats policy  $t^B$  by  $\pi(t^A, t^B)$ .
- Explain the condition that models the idea that the parties are endogenous.
- In what sense is the EPWE modelling a perfectly representative democracy?
- Is there a convergence result that relates the median-voter equilibrium with certainty to the EPWE with uncertainty?

## 2. Question for PLSC 519 (Formal Models of Domestic Politics):

Standard models of electoral accountability presume that voters have the information and competence necessary to reward “good” politicians or behavior and punish “bad” ones. Some work on political behavior has questioned whether this is indeed the case, showing that voters seem to punish politicians for circumstances beyond their control, such as shark attacks (Achen and Bartels 2017) or losses in college football games (Healy, Malhotra, and Mo 2010).

- a. Ashworth, Bueno de Mesquita, and Friedenberg (2018) provide a theoretical explanation for why voters might appear to “punish” incumbent politicians following adverse events like natural disasters: though the events themselves are outside a politician’s control, they provide an opportunity for an incumbent to signal their competence. Briefly describe the set-up of their model, as simplified in the Gehlbach textbook (Section 7.4). Who are the players? What strategies are available to them? What is the sequence of play?
- b. What do voters observe in the model? When and why can they update their beliefs about the incumbent’s competence?
- c. In words, briefly walk through the logical process through which voters decide whether or not to reelect the incumbent in this model. How does their choice depend on their prior beliefs about the competence of the incumbent or challenger? How does their decision differ depending on whether or not there has been a natural disaster?
- d. In this set-up of the model, natural disasters “amplify” the effect of politician competence on voter utility. How might this model explain the empirical observation that incumbents are more often voted out of office following natural disasters? Does the model assume that voters incorrectly assign blame to politicians for bad events?
- e. Can incumbent politicians in this model ever benefit from natural disasters? That is, are there situations where an incumbent will be reelected only if a natural disaster occurs? Explain why or why not.

### 3. Question for PLSC 746 (Economics and Politics of Migration):

Empirical work on the economic impacts of immigration remains sharply divided between those who say that immigration drives down wages for native workers (e.g., Borjas 2003, 2006, 2015) and those who say that there is a negligible or perhaps even positive impact on local wages (e.g., Boustan et al. 2005, Card 2009, Ottaviani and Peri 2012). Dustmann, Schönberg, and Stuhler (2016) argue that one reason for the discrepancy is that scholars using different estimation strategies are implicitly estimating different structural/theoretical parameters.

- a. The authors differentiate between three basic approaches to studying the wage impacts of immigration: a national skill-cell approach, a pure spatial approach, and a mixture approach. In 1-2 sentences each, describe the basic idea of each of these three approaches. What is the main source of variation being exploited, and who or what is being compared in each case?
- b. The authors critique skills-based estimation approaches for ignoring the problem of “skills downgrading.” In a few sentences, what is meant by “skills downgrading” and why does this matter for estimating the wage effects of immigration?
- c. The authors also identify an inconsistency in different scholars’ assumptions about the elasticity of native labor supply with respect to wages, either overall or among different skill subgroups. In a few sentences, what is meant by “labor supply elasticity” and why does this matter for estimating the wage effects of immigration?
- d. The authors come down strongly on the side of examining the wage impacts of immigration by looking at overall migration shocks, rather than differentiating between different skill subgroups. In about a paragraph, why do they argue that this is a more reliable approach? Do you agree with their argument? Why or why not?
- e. Aside from this controversy, scholars are further divided about whether political opposition to immigration is driven by (real or perceived) labor market competition from immigrants or other factors. Malhotra, Margalit, and Mo (2013) highlight a conceptual distinction between *prevalence* and *conditional impact* in studying the labor-market competition hypothesis empirically. In about a paragraph, what do they mean by this? How might this distinction help to explain the divergent findings about whether opposition to immigration is driven by labor-market threat as opposed to cultural factors?

**4. Question for PLSC 721 (Political Economy of Development):**

- a. Explain verbally the main elements of a political agency model. Who are the actors in such a model? who is the principal and who is the agent? Explain the differences between a pure moral hazard model of political agency and an adverse selection model of political agency. What are voters trying to do in each case?
- b. In Ferraz and Finan (2008), the authors introduce a new dataset that has been widely used afterwards. What makes this dataset so useful for research on political agency?
- c. Why are Figure I and Figure II in Ferraz and Finan (2008) very important for the credibility of the data and the rest of the paper?
- d. Explain the main identification strategy in Ferraz and Finan (2008). Why is it important to look at the effect of audits conditional on the number of corrupt violations in Figure III and Table IV?
- e. What do we conclude from the results presented in Table IV?
- f. Explain with precision why the results in Ferraz and Finan (2008) must refer to an adverse selection model of political agency.
- g. Banerjee, Enevoldsen, Pande and Walton (2020) present results from a voter information experiment in Delhi. Explain the structure of the main experiment and why some of the results presented are likely related to a moral hazard model of political agency.

## 5. Question for PLSC 763 (State Formation)

Besley and Persson (2010, 2011) study two “pillars” of state capacity—fiscal and legal capacity—and the conditions under which rulers invest in them. Below you will find a series of questions relating to the contribution of the paper, the set up, and the results. In addressing the questions, you can focus on fiscal capacity and use class notes.

- a. Explain in your own words the main elements of the state capacity building model in Besley and Persson: Who are the actors, and what are their goals, strategies, and constraints. What is the difference between *institutions* and *policies* and how do they relate?
- b. Which is the trade-off faced by the ruler or “incumbent group” in deciding whether to invest in fiscal capacity?
- c. Under which conditions is the incumbent’s trade-off solved in favor of investing in state capacity?
- d. Levi’s (1988) seminal *Of Rule and Revenue* assumes that rulers are revenue-maximizers. Do Besley and Persson make the same assumption or is revenue maximization an equilibrium outcome?
- e. What is a “distributive state” and under which conditions is it more likely to occur?

### *References*

Besley, Tim and Torsten Persson. 2011. *Pillars of Prosperity: The Political Economics of Development Clusters*. Princeton, NJ: Princeton University press.

Besley, T. and Persson, T. (2010), State Capacity, Conflict, and Development. *Econometrica*, 78: 1-34.

Levi, Margaret. 1988. *Of Rule and Revenue*. Berkeley: University of California Press.