

Political Economy Field Exam

January 2008

Answer 3 of the following questions. Closed book, closed notes.

Select questions to give good coverage to the field.

- 1) High levels of corruption and weak government institutions are associated with poor economic conditions—low levels of income, low growth rates, inequality. Propose a theory that relates weak governments and poor economic performance. Which way does the causal arrow go—from low growth to high levels of corruption or from high levels of corruption to low growth, or does it go both ways? Design an empirical test to try to sort out the conflicting empirical claims.
- 2) Some countries appear to suffer from a “resource curse”. They have plentiful natural resources but either do not grow or maintain high levels of poverty and inequality. What are the political/economic explanations for this phenomenon? How might it be “cured”?
- 3) Is there a “crisis of the welfare state”? How would you know?
- 4) Independence of such institutions as central banks, courts and some regulatory agencies is touted as desirable in otherwise democratic societies. How can that position be defended? How would you respond to a critic concerned that independent bodies will ignore the popular will? What empirical evidence do we have on the value of independence of one or more of these institutions?
- 5) Choose one responsibility which in your view governments should shoulder. (Be sure to use a simple example.) Justify government provision in terms of one or more criteria (e.g., efficiency, equality, income security, growth). Explain why unfettered market allocation would not satisfy your criteria. Propose a policy response, and explain why the government could do better than the market, but point out possible pitfalls.
- 6) Agra, a developing country, faces a severe economic crisis. Its government negotiates a deal with the International Monetary Fund for a program of painful economic reform under which the IMF provides a loan in return for painful fiscal and monetary austerity and cuts in redistribution programs. The pain, the IMF argues, will be worse later if Agra does not swallow the bitter pill now. Four years later, the government claims to have achieved its goal, but the material conditions of life are bad and the economy is weak. The government presents itself for reelection, claiming that the economy will improve in the next few years. What should voters do? Given your answer to *that* question, what should the government of Agra have done when faced with the crisis four years earlier?
- 7) Some justify federalism because it permits people to group themselves in ethnic, religious, or racial categories and to control some aspects of their public life while remaining part of a larger polity (e.g., Canada, Iraq). Others support federal systems because they give people a choice of where to live, and those choices encourage those state and local governments to satisfy voters’ preferences and not waste resources. These two justifications are largely inconsistent with each other. Explain why and consider the conditions under which a system of competitive local governments would or would not produce beneficial results.

- 8) Dani Rodrik asks: Has globalization gone too far? What do you think? You will need to specify what you mean by “too far” or “not far enough” and then draw on the empirical evidence to make your case.
- 9) Consider the following four-fold table of simple democratic types for states with a one-house legislature:

Legislative Electoral System:	Constitutional Structure:	
	Presidential	Parliamentary
Single-Member Districts with Plurality Rule	1	2
National Proportional Representation using Party Lists	3	4

What are the relative benefits and costs of each system? Suppose you are charged with writing a constitution for new democracy, and must pick one of these four ideal-types. Which would you choose and why? Would your answer depend on underlying conditions in the country (e.g., level of per capita income; population size; ethnicity, racial or religious divisions)?