

January 2012

Political Economy Field Exam
Department of Political Science
Yale University

Answer one question from Part 1 and two questions, chosen as you please, from Part 2.

Part 1

1. Since Mancur Olson (1965), social scientists have considered collective action problems to be a central barrier to the provision of public goods. Under what conditions can polities or groups overcome this barrier? In answering this question, review several theories of collective action failure and success and discuss the merits and demerits of both observational and experimental evidence. To what extent are the assumptions and predictions of theories of collective action supported empirically?
2. Political economists have often analyzed political phenomena using principal-agent models. When do political principals choose to delegate to their agents? Under what conditions do agency problems become more or less pronounced, and with what consequences? In your answer, discuss at least two substantive areas—such as the responsiveness of politicians to constituents, the delegation of policy-making to bureaucracies, or the internal workings of political parties—in which principal-agent models have been widely used. (You are free to discuss any two of these three topics or may choose others instead).

Part 2

3. Many theories of political economy suggest that the poor will vote for redistribution under democracy. Yet, examples of political preferences at odds with such economic self-interest seem to abound. Offer some examples, and review various theories that have been proposed to explain the tendency of the poor to reject redistribution or vote for parties of the Right. Which of these theories seems most compelling as a general explanation, and why?
4. Many political economists have argued that monetary union boosts trade flows, cross-border investment, and economic welfare in Europe. Others suggest that economic integration without more complete political integration ultimately leads to crisis. Review the theory and evidence in support of both perspectives and describe the mechanisms leading to these outcomes. What is the future of the Euro, in your view?
5. We observe that, in advanced democratic countries, expansionary economic policies tend to be adopted before elections. One may explain this “political business cycle” as a product of politicians’ opportunistic (office-seeking)

incentives and naïve (retrospective) economic voting by voters. How compelling is this explanation, and are there alternatives? How good is the evidence for the existence of political business cycles? Discuss.

6. Some political economists argue that when legislators are elected from districts and legislative bargaining is based on majority rule, legislative policy-making may lead to too much national money being spent on the provision of regional public goods. Explain the mechanism for this efficiency loss and suggest an institutional reform that may remedy the problem.
7. Why do international investors lend to sovereign governments? Why do governments usually pay them back? Explicate repeat play, issue linkage, and reputation answers for these two questions. Compare and contrast the theories with reference to empirical evidence. Comment on the strength of the empirical evidence in the literature and suggest future extensions.