

General Exam in Political Economy (Minor)
Autumn 2013

Instructions:

You have 6 hours to complete this exam. Answer a total of three questions from below, one from each of the three sections. Please rely on different substantive literatures in answering different questions. Please also avoid overlap in terms of substantive literatures you used in your major exam. The exam is open-book. Good luck!

Section I (choose 1 of 3):

Question I.1

Under what conditions does the state (and by extension, politics) have the capacity to speed economic development in underdeveloped countries? In what contexts is it more likely to be the problem than the solution? Be sure to answer by addressing relevant theoretical arguments and appropriate empirical exemplars.

Question I.2

“The study of the state and its role in leading economic development is deeply flawed. The biggest problem is one of case selection, as our theories--both positive and negative--are typically based on only a few cases. Scholars focusing on Taiwan, Korea or China are far more optimistic about state-led development, whereas the anti-statist crowd holds up Africa, South Asia, and parts of Latin America as cautionary lessons for what happens when states attempt to ‘govern the market.’” Discuss.

Question I.3

Is it good for a country to be rich in natural resources? Write an essay which reviews and evaluates the debate within political economy on the resource curse. In your essay, you will want to evaluate why (many) scholars believe that such a phenomenon exists, and the basis on which they have made such claims. If you argue that claims about the resource curse are over-blown, make a clear case as to why. If, in contrast, you argue that the resource curse does indeed exist, provide an analysis of the conditions under which we are most likely to see it emerge and the mechanisms through which it operates.

Section II (choose 1 of 3):

Question II.1

Scholars of the OECD have expended considerably effort understanding the nature of the post-war “embedded liberalism” compact. More recent scholarship argues that the terms of this compact are being renegotiated as the welfare state is retrenched. Meanwhile, research drawing on the developing world appears to find limited evidence that any such compact was ever negotiated in those countries. In your essay, assess this body of literature by explaining what we have learned and what questions remain open. Particular attention should be paid to the following questions: (1) Why was postwar labor able to negotiate embedded liberalism but unable to forestall economic liberalization? (2) Why have developing country governments felt less need to provide similar compensation policies?

Question II.2

The Heckscher-Ohlin (HO) and Stolper-Samuelson (SS) theories have often been used to generate predictions of the domestic causes and consequences of economic globalization. Sketch these theories and their main predictions.

(a) Using examples from political science research, discuss how useful these theories have been for understanding the causes and/or consequences of economic globalization in developing countries.

(b) In your answer, be sure to evaluate both the merits and limitations of the HO and SS theories. Where you find these theories lacking, suggest an approach that is more appropriate for understanding the domestic politics of economic integration in developing nations.

Question II.3

What are the political effects of income inequality? Discuss the role of income and its distribution using a prominent example from the political economy literature (e.g. social policy preferences, public opinion, participation, welfare state politics, redistribution, electoral systems, systems of government). What has existing literature accomplished? Where do you see room for improvement?

Section III (choose 1 of 3):

Question III.1

Consider a formal model of a society consisting two types of individuals: the rich with (fixed) income y_r and the poor with (fixed) income y_p . Normalize the size of the population to be 1. Suppose fraction $r < .5$ of the population is rich, and let the mean income be y_m . The government in this society has the ability to raise money by levying a tax rate t . The government can expend money it raises by offering uniform lump-sum benefits to its people.

1. If the rich hold proportion θ of the wealth, then what is y_r ? What is y_p ?
2. If there is no deadweight loss, what is the government's budget constraint? If there is a deadweight loss of $C(t) = .5t^2$, what is the budget constraint?
3. Consider the case without deadweight loss. What is the preferred tax policy of a rich individual? What is preferred tax policy of a poor individual? Would your answer be different if there were a deadweight loss? Why or why not?
4. Label the preferred policy of the poor individual as t_p^* . What are the comparative statics of t_p^* (assume deadweight losses)? Provide a substantive interpretation for each.
5. Under majority rule, what would the tax rate be? Does the assumption about deadweight loss matter? Explain how and why you got your answer.
6. What reasons should one use when deciding whether or not to include an assumption like deadweight loss in a model?

Question III.2

The dominant stream of research in political economy begins with the assumption of rationality. What does this entail? Under what circumstances is this assumption more or less plausible?

Evaluate the role of the rationality assumption in two of the following literatures:

1) electoral rules and their political consequences, 2) the median voter theorem, 3) cooperation and collective action or 4) institutional change. How valid is the rationality assumption? Is there an alternative to rational, individual decision-making that would better serve these streams of literature?

Question III.3:

In his 2005 article "Power and Political Institutions," Terry Moe critiques rational choice theory as it has been applied to political institutions. He argues that most rational choice theorists view institutions as promoting efficient outcomes and ignore the role of power. In his words, "Political institutions may be structures of cooperation, but they may also be structures of power-and [rational choice theory] does not tell us much about this."

Is this a fair critique of the political science literature applying rationalist models to explain the design and effects of political institutions? Supply examples from the literature to support your argument. In what ways can rational choice institutionalism most fruitfully incorporate the role of power in the study of political institutions (either in general or in a particular domain with which you are most familiar).