¡ Instructions

ECON4640 – Political Economics

This is some important information about the written exam in ECON4640. Please read this carefully before you start answering the exam.

Date of exam: Monday, December 3, 2018

Time for exam: 09.00 a.m. – 12.00 noon

The problem set: The problem set consists of 2 questions, with sub-quesitons. Question 1 counts 25% and Question 2 counts 75% in the evaluation. The sub-questions on each question is given equal weight.

Sketches: You may use sketches on all questions. You are to use the sketching sheets handed to you. You can use more than one sketching sheet per question. See instructions for filling out sketching sheets on your desk. It is very important that you make sure to allocate time to fill in the headings (the code for each problem, candidate number, course code, date etc.) on the sheets that you will use to add to your answer. You will find the code for each problem under the problem text. You will NOT be given extra time to fill out the "general information" on the sketching sheets (the code for each problem, candidate number, course code, date etc.).

Access: You will not have access to your exam right after submission. The reason is that the sketches with equations and graphs must be scanned in to your exam. You will get access to your exam within 2-3 days.

Resources allowed: No written or printed resources - or calculator - is allowed (except if you have been granted use of a dictionary from the Faculty of Social Sciences).

Grading: The grades given: A-F, with A as the best and E as the weakest passing grade. F is fail.

Grades are given: Thursday 20 December 2018

1.1 Question 1.1

Why chould reelection possibilities affect political accountability? Explain briefly how Ferraz and Finan (2011) study this effect empirically among Brazilian mayors.

Fill in your answer here and/or on sketching paper

Maximum marks: 0

1.2 Question 1.2

Explain how regression discontinuity designs can be used to identify the effect of political parties on political outcomes. Why are such analyses more involved in a proportional electoral system with multiple parties than in two party systems?

Fill in your answer here and/or on sketching paper

Maximum marks: 0

2.1 Question 2.1

Explain how the level of redistribution is determined in a median voter framework. What is the effect of increased inequality on the level of redistribution?

Fill in your answer here and/or on sketching paper

Maximum marks: 0

2.2 Question 2.2

Explain how one can go forth to test the predictions you derived in Question 2.1 empirically, which empirical challenges one encounters, and how these can be solved.

Fill in your answer here and/or on sketching paper

Maximum marks: 0

2.3 Question 2.3

Explain how Brunner et al. (2011) estimate the effect of an income shock on political preferances. Interpret the main findings from their Table 4, reproduced to the left.

Fill in your answer here and/or on sketching paper

Maximum marks: 0

2.4 Question 2.4

Hassler et al. (2003) present a dynamic extensions of the redistribution problem. Explain their model of the economy and political institutions. How does the dynamic (temporal) aspect affect redistributive policies?

Fill in your answer here and/or on sketching paper

Maximum marks: 0

2.5 Question 2.5

What are the empirical implications of this model, and how would you go forth to test them?

Fill in your answer here and/or on sketching paper

Maximum marks: 0

TABLE 4.—IMPACT OF CHANGES IN PREDICTED EMPLOYMENT ON VOTING OUTCOMES

	Share Voting Democratic on Propositions	Share Voting for Democratic Gubernatorial Candidates	Share Turning Out in Gubernatorial Elections	Share Voting for Incumbent Party Gubernatorial Candidates
Predicted employment index, 1990 weights	−.450**	−.523**	−.380**	−.699**
	(.012)	(.034)	(.111)	(.124)
	{−.011}	{−.013}	{−.009}	{−.017}
	[615,788]	[27,064]	[20,307]	[27,064]
Predicted employment index, 1980 weights	−.450**	−.474**	−.380**	−.238
	(.012)	(.036)	(.108)	(.126)
	{−.012}	{−.012}	{−.010}	{−.006}
	[615,362]	[27,045]	[20,292]	[27,045]

Each cell presents the estimated coefficient on the PEI from a different regression using a panel of metropolitan census tract voting returns. In column 1, each observation is a proposition; in the remaining columns, each observation is an election. All specifications control for tract and County × Year effects. Robust standard errors clustered by tract in parentheses. The figure immediately below the standard errors is the implied change in outcome that results from a 1 percentage point increase in employment. Sample size in brackets. Regressions weighted by tract voting-age population. **Significant at 1%, *5%.