

Economics Tripos Part IIB Paper 5 Political Economics

Paper 5: Part 2B Supervision assignment 6

Lent

Course: Political Economics.

Topics: Causes of democratization and state capacity.

Material covered by: Week 4.

Suggested for marking: question 3.

Question 1.

Can it ever be in the interest of incumbent elites to extend the voting suffrage and share power with a broader segment of society?

Question 2

A researcher estimates the following regression model on a large sample of countries (index i) between 1950 and 2015 (index t)

$$d_{it} = \alpha + \beta_1 \log(GDP_{it-1}) + \beta_2 GINI_{it-1} + \beta_3 \log(GDP_{it-1}) * GINI_{it-1} + X'_{it-1} \gamma + \mu_{it} \quad (1)$$

where d_{it} is the POLITY IV index, $GINI_{it-1}$ is the market income GINI coefficient, GDP_{it-1} real GDP per capita and X'_{it-1} is a vector of relevant control variables. The observed range for $\log(GDP_{it-1})$ is between 6 and 10, the GINI coefficient is coded on a scale from 0 to 100 and the POLITY IV index is coded on a 0 to 1 scale.

1. With reference to relevant theories, discuss which hypothesizes the researcher might have had in mind when specifying her regression model.
2. Suppose that the OLS estimates are: $\hat{\beta}_1 = 0.072$ (std=0.01); $\hat{\beta}_2 = 0.2$ (std=0.05) and $\hat{\beta}_3 = -0.023$ (std=0.01). What do we learn about the effect of inequality on democratization from these results? Can you suggest better ways to test whether inequality is causally linked to democratization?

Question 3

Use the Besley-Persson state capacity model to analyze and compare the incentives to invest in state capacity in the following types of societies.

1. A secure dictatorship with no checks and balances.
2. A populist democracy with regular government turnover but with weak checks and balances.
3. Liberal democracy with regular government turnover but strong checks and balances.

References

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