SAMPLE FINAL-EXAM QUESTIONS

1. Over the past several decades, capital has become increasingly mobile internationally. Many believe that the increased tax and policy competition created by this inter-jurisdictional mobility has increasingly constrained domestic economic-policy autonomy. Give and explain several (>2) counter-arguments that imply domestic policymakers retain considerable maneuvering room.

2. A new democracy arises in a formerly authoritarian nation with no previous history of democracy. The new electoral system is majoritarian and the social structure of the country is largely homogenous, with socio-political conflicts occurring primarily on economic issues between haves & have-nots. These conditions favor emergence of a two-party system competing on one dimension. Explain how and why this would tend to induce convergence of those two parties’ platforms; then explain how and why we might nonetheless expect to see appreciable divergence for a considerable period of time before such convergence begins to materialize.

3. Majoritarian electoral systems tend to produce two-party systems and greater proportions of “wasted votes” (i.e., votes that do not affect the election outcome). Thinking of the core political-economic arguments in Franzese’s transfers and public-debt chapters that we emphasized, what implications might you expect such electoral systems have for those two policy outcomes?

4. Franzese estimated a model like this:

\[ \text{Debt}_t = \beta_1 \text{Debt}_{t-1} + \beta_2 (\text{IntRate}_t) (\text{Debt}_{t-1}) + \beta_3 (\text{NoP}_t) (\text{Debt}_{t-1}) + \beta_4 (\text{Polar}_t) (\text{Debt}_{t-1}) + \ldots \]

where NoP is the number of parties in government and Polar is the polarization of the parties in government, as defined in that book.

Explain why we would expect each of \( \beta_2, \beta_3, \) and \( \beta_4 \) to be positive, theoretically, and what that would imply substantively.

5. What are the demand-side and supply-side prongs of Rodrik’s Globalization Dilemma? What political-economic institutional-structures does Hays argue sharpens each of those prongs, respectively, and how?

6. Under what combinations of capital mobility, exchange-rate peg or float, and central bank (in)dependence does Clark argue we should see fiscal cycles?

7. What is the spatial-lag term in Hays’ aggregate empirical analysis of chapter 2, & what does it represent substantively?