# ECON4921 – Institutions and Economic Systems, 2019 postponed - Guidelines

## 1a)

Uncertain. If the probability of a revolutionary threat is very large, a threat of a revolution will lead to redistribution and not to the extension of the franchise. As the probability of a threat of a revolution decreases below a certain threshold there will always be extension of the franchise when there is a threat of a revolution. From then on the probability of extension of the franchise is equal the probability of the threat of a revolution and is thus decreasing again. The relationship is thus an inverse U-shape.

## 1b)

True. An answer should informally describe the theory of Mayshar et al 2015 of how appropriability can lead to state formation and argue that coltan is an appropriable resource.

## 2a)

The utility from war is $0.5 - c_S$ the utility from peacefully accepting the invasion is $1 - \alpha$. Thus Sweden prefers war as long as $\alpha \geq 0.5 + c_S$

## 2b)

The largest share Norway can invade without inciting war is $\alpha = 0.5 + c_S$. This is always better than war which gives $0.5 - c_N$. Thus Norway prefers this.

## 2c)

If $c_S = c_H$ Sweden will declare war when $\alpha > c_H + 0.5$. On the other hand if $c_S = c_L$ Sweden will declare war when $\alpha > c_L + 0.5$. Norway has three relevant options: Invade as much as possible while making sure Sweden will never declare war, invade as much as possible while making sure Sweden will not declare war when $c_S = c_H$, or to invade so much that war always is declared. The first gives expected utility $c_L + 0.5$ the second $(1 - p)(0.5 - c_N) + p(c_H + 0.5)$ and the third $0.5 - c_N$. The third is always worse than the two other options and will thus never be chosen. The second option, which gives a positive probability of war, is preferred over the first option whenever $c_H \geq \frac{c_L + (1-p)c_N}{p}$.

## 2e)

Sweden always has an incentive to claim that $c_S = c_L$, thus Norway cannot trust what Sweden says.

## 2f)

Yes. For instance Sweden could commit to always go to war if Norway invades any land. If that commitment is credible, Norway will never invade and Sweden will be better off.

**3a)**

Boroughs who had received a farm grant by 1348 where 46.6 percentage points more likely to be enfranchised in parliament by 1348, controlling for status as royal borough.

**3b)**

In Column 4 we indeed see that boroughs more suitable for trade (and thus probably richer) are more represented in parliament. However, this could be working through the fact that boroughs more suitable for trade received more farm grants. Looking at Column (7) this indeed seems to be the most likely interpretation, since there is no such correlation in Mesne boroughs which we know did not receive farm grants.

**3c)**

The boroughs were willing to pay the king a large sum for giving up this power. The borough were willing to pay a larger sum than what the king could have extracted through his officials since they were more efficient at taxation due to superior information.