

1 The Political Resource Curse

1.1 The Basic Model

Consider the career concern model in Brollo et al. (2013) discussed in class, and answer the following questions:

Question 1

Brollo et al. (2013) assume that, if caught guilty during the investigation, high-educated politicians suffer a higher punishment compared to low-educated politicians, i.e. $\lambda^H > \lambda^L$. Assume now instead that the punishment is the same for both types, i.e. $\lambda^H = \lambda^L$. Does this change Prediction 2 in the paper? In which way?

Question 2

How would you test Prediction 2, using the dataset from Brollo et al. (2013)? Is there an endogeneity problem? If yes, discuss it and propose an empirical strategy to overcome it.

1.2 Extension: Endogenous entry of candidates

So far we have assumed that the quality of the opponent candidate was exogenous, i.e. the opponent was low-educated, L , with probability π .

Now we modify the model in order to endogenise the probability that the opponent is L (π is now endogenous).

Assume now that the population is of size $2N$, and before the election in period 1 each citizen can enter into politics, by paying an entry cost.

The population is composed by two groups of equal size: low-educated L , and high-educated H . Within each group, individuals differ by the entry cost of entering into politics: individual i in group J has entry cost iy^J for $i = 1, 2, 3, \dots, N$, and $J \in L, H$, and $y^H > y^L$.

The citizens decide to enter into politics at the beginning of period 1, when they do not know the education level of the incumbent, but only that he is H with probability $1/2$. On the other hand, each citizen knows his own education type.

If a citizen enters into politics by paying the entry cost iy^J , he will become the opponent candidate with probability $1/(n^L + n^H)$, where n^J is the number of citizens in group J who decided to enter into politics. We name the total number of politicians $n = n^L + n^H$.

Question 3

Write down the decision rule of a citizen i of group J deciding if entering into politics or not.

Question 4

How many citizens decide to enter into politics?

Question 5

What is the probability that the opponent candidate is low-educated, i.e. the endogenous π ?

Question 6

Calculate the sign of $\frac{\partial \pi}{\partial \tau}$. In other words, is the fraction of low-educated candidates increasing or decreasing in the size of the government budget τ ?

Question 7

Would the answer to Q6 be the same if we assume $\lambda^H = \lambda^L$?

Question 8

Download the dataset used in Brollo et al. (2013) at the following link: <http://www.aeaweb.org/articles?id=10.1257/aer.103.5.1759>. Open the zip folder and extract the file AERlargesample.dta .

Use this dataset to test the sign of $\frac{\partial \pi}{\partial \tau}$ (your answer at question 6) using the main empirical strategy proposed by Brollo et al. (2013).

Hint 0: You need Stata to do this.

Hint 1: in other words you should replicate the results reported in the second and third columns of the first row of table 8 of the paper. You may also replicate the results reported in the first and second columns of the first row of table 9 of the paper. Alternatively you may also replicate the first two panels of figure 3 of the paper.

Hint 2: Begin by using the command -describe- to have an overview of the variables in the dataset, including their description. Choose the variables that you think are more appropriate to answer the question.

2 Media and politics

1. Discuss why media can have an impact on whether voters vote and which party/candidate they vote for. Which voters do you think are most influenced by the media?
2. Explain why we learn little about the above discussed mechanisms by studying the plain relationship between media consumption and voting behavior
3. How do DellaVigna and Kaplan (2007) overcome these difficulties? Discuss the validity of their approach
4. An alternative to their approach could be an instrumental variables approach. What would a valid instrument have to satisfy?
5. During the 1990s and 2000s, Norwegian TV channel TV2 aired a debate show named “Holmgang”. The show was accused of having a slant toward the Progress party. If you were asked to study the causal effect of watching Holmgang on Progress party voting, how would you go forth?
Be as specific regarding your choice of data and methodologies as you can.