Course Preview: Political Economy and Economic Development

This course preview is meant to give prospective learners the opportunity to get a taste of the content and exercises that will be covered in the course. While there are no prerequisites for this online course, it is recommended that learners have some familiarity with economics or statistics. Each question below is tied to concepts that will appear in this course, all of which it would be good to feel comfortable with. If you are new to these subjects, or eager to refresh your memory, please consult the available resources below, and be prepared to refer to these resources over the course of the class. Try to first answer these questions without consulting the resources, but fear not if you do consult them - being an agile user of outside resources will help you succeed in this course.

A score of 60% or above in this course preview indicates that you are ready to take this course, while a score below 60% indicates that you should further review some concepts in the attached materials before commencing the course.

Useful Resources:

- *Basics of Regression:*

    - An Introduction to Linear Regression Analysis
    - Introduction to Regression Analysis: Causal Inference Bootcamp

1. **Regression Interpretation:** In "Hit or Miss: The Effects of Assassinations on Institutions and War," Jones and Olken (2009) consider the effects of successful assassination attempts on institutions and war. Below, we reproduce Table 5, which displays the overall effects of assassinations on institutional change (Panel A), and then breaks the effects down into the effects in autocracies and democracies (Panel B).

TABLE 5—ASSASSINATIONS AND INSTITUTIONAL CHANGE

	Absolute change in POLITY2 dummy (1)	Directional change in POLITY2 dummy (2)	Percentage of "regular" leader transitions in next 20 years (3)
Panel A: Average effects			
Success	0.091	0.079	0.111
	(0.047)	(0.051)	(0.057)
Parm. *p*-value	0.06*	0.12	0.06*
Nonparm. *p*-value	0.03**	0.02**	0.18
Observations	221	221	138
Data source	Polity IV	Polity IV	Archigos
Panel B: Split by regime type in year before attempt			
Success × autocracy		0.131	0.191
		(0.055)	(0.085)
Success × democracy		−0.012	0.034
		(0.083)	(0.043)
Autocracy—parm. *p*		0.02**	0.03**
Autocracy—nonparm. *p*		0.01***	0.05**
Democracy—parm. *p*		0.89	0.43
Democracy—nonparm. *p*		0.13	0.96
Observations		221	133
Data source	Polity IV	Polity IV	Archigos

a. How do we interpret the first estimate of 0.091? The absolute change in POLITY2 dummy measures whether or not a country switches between autocracy and democracy after an assassination attempt. Success is a dummy for whether or not the assassination attempt was successful. (1 point)

Solution: Countries are 9.1 percentage points more likely to change in either direction between autocratic and democratic after a successful assassination attempt, compared to a failure. The units of the dependent variable are in percentage points while the estimate is the effect of the SUCCESS dummy being a 1, thus representing the effect of a successful assassination attempt compared to a failed assassination attempt. The p-value corresponding with this estimate can be seen in the row titled "Parm. p-value"; it is 0.06, and thus the estimate is statistically significant at the 10% level. The difference between the "Parm. p-value" and "Nonparm. p-value" will be discussed in the course, but it is not expected that you understand the distinction at this point.

b. How does this effect differ (or not) between countries that are autocratic and democratic? Panel B splits this effect by regime type, interacting the Success variable with whether or not the country was an autocracy or democracy in the year before the attempt. (2 points)

Solution: This effect is solely seen in autocratic countries. In democratic countries, there is no statistically significant effect of assassinations on institutional change. Again, we see that

the p-value is 0.02 and 0.03 for autocracies and 0.89 and 0.43 for democracies, as is seen in columns (2) and (3) respectively. This means that the estimates are statistically significant at the 5% level in democracies, but not in autocracies.

2. **Economic Modeling Interpretation:** Let us imagine that we have three types of individuals in the electorate (each with the same population share), with the following preferences over policies A, B, C, and D:

- Type-1 strictly prefers A to B to C to D
- Type-2 strictly prefers B to C to A to D
- Type-3 strictly prefers C to D to B to A

a. Which policy wins a simple majority in A vs. B? (1 point)

Solution: B beats A, with two votes to one. Type-2 and Type-3 voters vote for B, while only Type-1 voters vote for A.

b. Which policy wins a simple majority in B vs. C? (1 point)

Solution: B beats C, with two votes to one. Type-1 and Type-2 voters vote for B, while only Type-3 voters vote for C.

c. Imagine a world in which a policy wins if and only if it beats all other alternatives in a simple majority. If implemented, which policy (if any) will be chosen? (1 point)

Solution: B will be chosen, because it will beat A by a count of 2 to 1, C by a count of 2 to 1, and D by a count of 2 to 1.

d. Imagine voting proceeds as follows: In round one, there is a vote between A and B and a vote between C and D. In round two, there is a vote between the two winners of round one. Imagine that Type-3 voters know that Type-1 voters and Type-2 voters will vote honestly. What is the best move for Type-3 voters in round one? What about in round two? (2 points)

Solution: Type-3 voters should vote for A and C in round two. That way, A and C move on to round two. In round two, Type-3 voters should vote for C. As a result, C is the chosen policy (and the most preferred policy by Type-3 voters), despite Type-1 and Type-2 voters both preferring B to C. This is an example of strategic voting.