

**INTERNATIONAL POLITICAL ECONOMY AND DEVELOPMENT
COMPREHENSIVE EXAMINATION
NOVEMBER 2019**

IPED COMPREHENSIVE EXAMINATION INSTRUCTIONS

Answer **4** questions. Two **MUST** be Political Science questions (IA, IIA or IIIA) and two **MUST** be Economics questions (IB, IIB, or IIIB). Students should demonstrate an ability to integrate material from different courses and across disciplines in their answers. The answer to each question should only be up to a maximum of **5 typewritten pages** long. Deadline for submission of **both digital and hard copies of the exams is 5pm on Wednesday, November 11, 2019.** (Note: You **must** submit both digital and hard copies.). Hard copies must be turned in at the IPED Office Dealy E517 and digital copies must be emailed to Ms. Donna Odra (dodra@fordham.edu).

1. Read instructions to the exam and all questions carefully.
2. All essays must be typewritten, double-spaced, with 1" margins. Use 8 ½" by 11" bond paper.

Begin the answer to each of the questions you choose on a **new page**. On the first page of each answer, **CORRECTLY indicate the number of the question and section you are answering** (e.g. IIIA—Section 1), no need to re-type the question.

3. **HARD COPY:** Keep the original, and turn in **two (2)** sets of printed copies of your answers.
 - a. Staple your answers together so that there are two complete sets of essays.
 - b. Staple to the front of **each complete set** of essays a cover sheet with the following information:

Fordham ID number
Name
Address
Telephone number

DO NOT TYPE YOUR NAME ANYWHERE ELSE ON THE ESSAYS. This is done so that the exams may be graded "blindly", i.e., the readers will not know the identity of the student.

DO NOT staple a copy of the question sheet to your examination answers.

4. **DIGITAL COPY:**
 - a. Exam file format should be either .doc or .docx or .pdf. The contents of the digital copy must be exactly the same as the hard copy.
 - b. **File name** should be: Last Name, First Name Comp. (E.g. Smith, John Comp.docx)
 - c. **Do not type your name anywhere else on the essays of digital file except on the cover sheet.**
 - d. Email an MS Word or PDF copy of your exam to Ms. Odra (dodra@fordham.edu).
 - e. An email from Ms. Odra will be sent confirming receipt of the digital copy of your exam within 2 hours of receipt.
 - f. **Alternative:** Save your exam in a CD/DVD/external drive and submit that along with the hard copies of your exam. The contents will be checked in your presence to ascertain that the file may be accessed.
5. You must also complete and return one copy of the **IPED EXIT INFORMATION form**.
6. Return all materials by **5pm, Monday, November 11, 2019 to the IPED Office** (Dealy E517) and by email to dodra@fordham.edu. **NO LATE PAPERS WILL BE ACCEPTED (includes digital submission).**
7. Examination results should arrive by mail to your home address within four weeks.

IPED Comprehensive Exam Checklist:

1. Did you answer exactly two Political Science questions (IA, IIA or IIIA)?
2. Did you answer exactly two Economics questions (IB, IIB, or IIIB)?
3. Are your answers double-spaced with 1" margins?
4. Are the answers to each of the questions 4-5 pages long?
5. Did you begin the answer to each question on a new page?
6. Did you indicate the question number and section on the first page of your answer?
7. Do you have two (2) complete sets of **hard copies** of your essays to submit?
8. Do you have a cover sheet stapled onto each of the two sets of essays with the following information:
 - a. Fordham ID number,
 - b. Name,
 - c. Address,
 - d. Telephone number?
9. Did you check that your name can only be found on the cover sheet and nowhere else on your exam?
10. Is the file name of the digital copy of your exam in the following format:
"Last Name, First Name Comp"?
11. Are the contents of the hard and digital copies of your exam exactly the same?
12. Did you either email the digital copy of your exam to dodra@fordham.edu or have you made a CD/DVD/external drive copy of your exam to submit to the IPED Office in Dealy E517?
13. Did you complete the IPED Exit Information Form?

If you answered YES to all these questions, then you are ready to submit your exam.

DEADLINE: Monday, November 11, 2019, 5PM

HARD COPIES: Drop off at the IPED Office, Dealy Hall E517

DIGITAL COPY: Email to dodra@fordham.edu OR drop off CD/DVD/external drive copy at the IPED Office along with the hard copies.



PART I: POLITICAL AND ECONOMIC ANALYSIS

I.A. POLITICAL ANALYSIS

If you choose to answer I.A., **DO ONLY** Section 1 **OR** Section 2.

Section 1 - Comparative Political Analysis

What explains the stagnation of democracy and/or consolidation of authoritarianism across the globe in recent years? In your answer, be sure to define democracy and nondemocracy and present a clear, concise, and supported argument.

Section 2 - Analysis of International Politics

Answer one of the following:

1. Cox (1981) argues that the post-World War II international order is characterized by the “internationalisation of the state”, facilitated by international institutions’ capacity to “reconcile domestic social pressures with the requirements of a world economy” (144-145). Contrast Cox’s account of the internationalization of the state with Keohane’s (1984) “functional theory of regimes.” Would Keohane agree with Cox’s description of internationalization? Why or why not? How might each author explain the breakdown of the Doha Round of WTO negotiations and/or rise of “megaregional” trade negotiations?
2. Discuss how three of the following theoretical approaches contribute to our understanding of violence in international politics: Realism, liberalism, constructivism, critical theory, anti-imperialist thought, or feminist theory. How do these theories differ in their accounts of both sources of order and causes of conflict in international politics? What can each of your selected theories contribute to an analysis of what Mary Kaldor calls “new war”?

I.B. ECONOMIC ANALYSIS

If you choose to answer I.B., **DO ONLY** Section 1 **OR** Section 2 **OR** Section 3.

Section 1 – Economic Analysis

Assume our company is the sole producer of a type of paint used in billboard applications. We have held the patent for this type of paint and have been the sole producer for a number of years. This patent will expire on December 31, 2019. Our paint has no close substitutes and has been used widely throughout the billboard industry. However, we believe that technology is also changing the nature of the billboard industry and paint is being replaced by computer aided design. We believe that the demand for our good is price elastic.

- a. Establish the price charged and the quantity supplied by our company prior to year end 2019. Is the company earning economic profits? If so, explain why and establish the amount.
- b. Absent the end of the patent's protection, would the state of affairs described in part (a) be guaranteed? What variables might change to alter your conclusion to (a)?
- c. What price and quantity would you expect to prevail after the patent expires, assuming no barriers to entry and constant returns to scale? Would your answer differ if there were financial barriers to entry? How?
- d. Establish consumer surplus before and after expiration of the patent.
- e. Would your answer to (c) and (d) change when this is a (1) a constant cost industry; (2) an increasing cost industry?

Section 2 – Financial Analysis

1. Assume that you buy a bond with maturity in 900 days (2 years approximately) with semi-annual (180 days) coupons of 6% per each 180 days and that you pay its par value of \$100,000. If you decide to sell your bond after 120 days, what should be the price of the bond? (Assume that there are no extra costs and no inflation and that the required discount rate (yield at maturity) in the market is 5% semi-annually (180 days). Estimate the clean, dirty and accrued interests.
2. Use the following data (Capital allocation):

	Risky portfolio	Risk free
E(r)	15%	7%
σ	22%	

- a. If you decide to invest 0.7 in the risky portfolio, what is the E(Rc) and the var(Rc)?
- b. Find the Sharpe ratio.
- c. Assuming A=3, find the optimal allocation in the risky portfolio and in the risk-free investment. Use the following formula:

$$y^* = \frac{E(r_p) - r_f}{0.01A\sigma_p^2}$$

- d. Graph the approximate POS (portfolio opportunity set) and the CAL (Capital Allocation Line).

3. Use the following data:

	Debt (D)	Equity (E)
E(r)	5%	16%
σ	9%	24%
ρ	0.60	
rf	2%	

a. If $\rho=-1$, find the perfect hedging portfolio weights.

For next questions use $\rho=0.60$

- b. Graph the approximate POS (portfolio opportunity set).
 c. Find the minimum variance portfolio, identify this in the previous graph. Use the following formula:

$$w_D = \frac{\sigma_E^2 - COV(r_D, r_E)}{\sigma_D^2 + \sigma_E^2 - 2COV(r_D, r_E)}$$

Recall that

$$COV(r_D, r_E) = \rho \sigma_{r_D} \sigma_{r_E}$$

d. Using the risk-free rate, find the optimal weights for the risky portfolio. Create a new graph where you show the CAL and the POS. Use the following formula:

$$w_D = \frac{(E(r_D) - rf)\sigma_E^2 - (E(r_E) - rf)COV(r_D, r_E)}{(E(r_E) - rf)\sigma_D^2 + (E(r_D) - rf)\sigma_E^2 - [(E(r_D) - rf) + (E(r_E) - rf)]COV(r_D, r_E)}$$

- e. Find $E(r_p)$ and σ_p^2 .
 f. Assuming $A=4$, find the optimal allocation in the risky portfolio and in the risk-free investment. Use the following formula:

$$y^* = \frac{E(r_p) - rf}{0.01A\sigma_p^2}$$

g. Determine the final weights for D and E based on y^* .

Section 3 – Applied Econometrics

Download the data file nbasal_IPED2019.xls from the [Comprehensive Exam Section](#) the IPED website. The data contains demographic and position information for a sample of 269 players who play professional basketball in the National Basketball Association (NBA). Here are the names and labels of the variables in the dataset:

ID	player ID
Marr	=1 if married
Wage	annual salary, thousands \$
Exper	years as a professional player
Age	age in years
Coll	years playing at college
Games	average games per season
Minutes	minutes per season
Guard	=1 if guard
Forward	=1 if forward
Center	=1 if center
Points	points per game
Rebounds	rebounds per game
Assists	assists per game
Draft	draft number
Allstar	made all-star team
Avgmin	minutes per game
Lwage	natural log of wage

1. Using SAS, run a correlation matrix between all variables in the NBA dataset. Which variables (other than the log of wages), show the highest correlation with wages? What would be the issue of including two highly correlated variables on the right hand side in the same regression?
2. Graphically investigate whether players who are more experienced earn more (i.e., plot a scatter plot with a best fit line depicting this relationship).
3. Using SAS, graphically display the wage data. Which way are the players' wages skewed? Towards infinity or towards zero?
4. I ran a regression with points as the dependent variable and marriage status as the independent variable. I got a statistically significant positive coefficient on the marriage variable. Does this mean that those players that are married score more points per game? Does this interpretation make sense, why or why not?
5. Create a model, which investigates how experience affects a player's wages (this produces the same best fit line as in your graphic in Q2). In this simple model, what is the average wage increase associated with an increase in experience by one year? In this simple model, do you think that the estimate of the effect of experience on wages is likely too big or too small? Which Gauss-Markov assumption is being violated, and why?

6. Create another regression with wages as the dependent variable, and age as the independent variable (along with a constant). Does this imply that the effect of age is positive or negative? What would be the average wage implied by your model for an individual who was 30 years old? What about for a 90 year old? What is the problem with the latter estimate?
7. Now create a regression with both experience and age in the model. What has happened to the sign of the coefficient on age? Why?
8. Propose a “better” model to explain player’s wages than the simple linear regression in Q4 (one way to do this is to write a model that resolves the Gauss-Markov assumption that was violated in the simple linear regression in Q4). Write down the new model and argue why the new model is better? Does the old model or your new model have a higher R^2 ? Is this important, what does this mean?
9. There are three positions played in basketball (guard, forward, and center). Controlling for experience, games played per season, points per game, rebounds per game, and assists per game, is there evidence that one of these three positions makes more than the other positions? If so, how much more? (Please include your regression output.) Interpret the meaning of the coefficients on points per game, rebounds per game, and assists per game. What would the expected salary be for a guard who had 4 years experience, averaged 35 games per season, scored 15 points per game, 4 rebounds per game, and 8 assists per game?
10. You overhear a classmate saying that because some NBA players get paid so much, the dependent variable should be in logs? Does your classmate’s idea have merit? Why or why not? Now rerun the same regression as in Q8, using the natural log of wages as the dependent variable. Interpret the meaning of the coefficients on points per game, rebounds per game, and assists per game.

PART II: THE GLOBAL ECONOMY

II.A. POLITICS OF GLOBAL ECONOMIC RELATIONS

Answer **ONE (1)** of the following questions:

1. What are the major factors influencing preferences on globalization* and, relatedly, what explains the rise in anti-globalization sentiment in the advanced, industrialized world today? Is egotropic economic welfare a key determinant of globalization preferences? Or are non-economic factors or sociotropic concerns driving preferences and the current backlash to globalization? Include evidence to support your argument.

*Globalization can refer to any of the following flows: aid, foreign direct investment, migration, portfolio flows, remittances, trade. In your response you can focus on one or more than one of these dimensions of globalization. Just be sure to clearly indicate which flow(s) you are referring to in your essay.

2. Which (if any) transnational economic flows* have contributed to the persistence of poverty in developing countries in recent decades? If none have, point to an alternative explanation for the continued economic gap between the developed and developing world. Include evidence to support your argument.

*Transnational economic flows can refer to any of the following: aid, foreign direct investment, migration, portfolio flows, remittances, trade. In your response you can focus on one or more than one of these dimensions. Just be sure to clearly indicate which flow(s) you are referring to in your essay.

II.B. INTERNATIONAL ECONOMIC POLICY

If you choose to answer II.B., **DO ONLY** section 1 **OR** section 2.

Section 1 – International Economic Policy

Protectionism:

1. In a partial equilibrium context:
 - a. Graphically identify the costs and benefits of protectionism to various groups in society (producers, consumers, and government) as well as the net cost to society when there is and is not rent seeking.
 - b. Then, after defining the concept of a free rider, explain why consumers may not be able to prevent the rise of protectionism in a partial equilibrium context.

2. In a general equilibrium context:
 - a. Given a small country that imports manufactured goods, use the Ricard-Viner Model to derive the effects of a tariff on production, consumption, trade and social welfare.
 - b. Derive the income effects of a tariff on various domestic interest groups (labor, capitalists, and landowners).
 - c. Building on the concept of a free rider, determine those two groups most likely to act collectively in the political system. Using the Findlay-Wellisz model of endogenous trade policy, explain why in a general equilibrium context there may exist significant political pressure to counter those who favor protectionism.
 - d. Using Bhagwati's concept of "Directly Unproductive Profit Seeking Activity" explain why the welfare of the country may still worsen even if the political structure prevents or mitigates against the imposition of a tariff.

3. (optional, but must be answered for a high pass)
 - a. Are there any ethical and political principles that should guide policy makers when they implement policies like free trade that create a net overall benefit for society but, nonetheless, are harmful to certain groups within society?
 - b. How has indifference to these concerns led to the rise of populism, protectionism and nationalism in the United States?

Section 2 – International Monetary Policy

Three generations of currency crisis models.

- a. What are the differences and similarities between the three generations of currency crisis models [1st generation: Krugman (1979), Flood and Garber (1984); 2nd generation: Obstfeld (1994); 3rd generation: Chang and Velasco (2001)]? Explain briefly.
- b. In 1992, the European Monetary System (exchange rates of several European countries were fixed versus each other) was in crisis and several countries had to devalue their currencies against the Deutsche Mark. Explain with the help of the Obstfeld (1994) model, how high European unemployment rates may have triggered this crisis.
 - Chang, Roberto and Andres Velasco (2001). "A Model of Financial Crises in Emerging Markets." Quarterly Journal of Economics, 489-518.
 - Flood, R. and P. Garber (1984): "Collapsing Exchange Rate Regimes: Some Linear Examples," Journal of International Economics 17 (August): 1-17.
 - Obstfeld, M. (1994): "The Logic of Currency Crises," Banque de France Cashiers économiques et monétaires no. 43, 189-213 .

PART III: INTERNATIONAL DEVELOPMENT

III.A. POLITICAL ECONOMY OF DEVELOPMENT

Political economists have offered a range of explanations of economic and human development. These explanations can be grouped into two types: political and economic. Which type of account best explains why some countries are developed but not others?

III.B. ECONOMIC DEVELOPMENT POLICY

If you choose to answer III.B., **DO ONLY** Section 1 **OR** Section 2.

Section 1 - Economic Development Policy

Migration

1. Collier's Model of International Migration
 - a. State and explain Collier's two equations in his migration model.
 - b. Graphically represent two cases of Collier's model of migration.
 - i. Unregulated Migration. Outline the four stages of unregulated migration.
 - ii. Regulated Migration.
2. Why does Collier favor the presence of a stable diaspora in a host country?
 - a. How does it benefit the host country?
 - b. How does it benefit the country of origin?
3. (optional, but must be answered for a high pass) Based on his model what are Collier's recommended policies for regulating migration and for the assimilation of migrants?
 - a. How does his policy recommendations answer the concerns of the current US Administration regarding international migration?
 - b. Why do you agree or do not agree with Collier's recommended policies?

Section 2 – Crisis, Adjustment, and Poverty

Section in italics optional, links to relevant readings or presentations are in the text and listed below.

Rising U.S. interest rates and falling commodity prices have put commodity exporters like Brazil, Nigeria, Chile and Argentina in a difficult situation. The fact that some of these countries have “graduated” means that they may not have to go the IMF and that have some defenses against adversity, including fiscal and monetary policy (though for most a recession seems inevitable). (a) What do [Jeffery Frankel et al 2013](#) and Rogoff and Reinhart, 2010 term [graduation](#)? Brazil, Mexico and Chile are graduates but Argentina has lagged behind both in terms of fiscal and exchange rate policy. Using the traded-nontraded goods model show what happens when capital inflows end or become capital outflows? Why is this adjustment easier for countries that have a flexible exchange rate? One risk of devaluation is inflation, why is this less likely to be problem now? (b) Argentina recently joined the ranks of flexible exchange rate countries (following the December election of President Macri as in Macro see Figure 2 below). Why are the sharp appreciations highlighted by the arrows so important in Figure 1 and Figure 2? Flexible exchange rates allow monetary policy, but in Mexico, Chile, Russia and Argentina exchange rate depreciation also creates fiscal space, why? (c) Countries with fixed exchange rate or who use other currencies (Greece or Ecuador) must adjust via internal devaluation. Why is this so difficult and costly? (d) Chile use a [commodity stabilization fund](#), when the price of copper is low, it exports capital to its sovereign wealth fund. When the price of copper is low, it draws down this same fund via capital inflows. Show how this stabilizes its real exchange rate using the TNT and the market for dollars’ diagram. Does this stabilization or fiscal rule require a flexible exchange rate? Why or why doesn’t it? (e) *Mexico is one of the few emerging market countries to be achieve redemption (freedom from original sin). In light of Figure 3, why is this very important for Mexico right now?*





<http://www.xe.com/currencycharts/?from=USD&to=ARS&view=1Y>



<http://www.xe.com/currencycharts/?from=USD&to=MXN&view=10Y>