

UNIVERSITÄT HEIDELBERG

ALFRED-WEBER-INSTITUT

PROF. DR. AXEL DREHER



Prof. Dr. Axel Dreher, AWI, Universität Heidelberg, Bergheimer Straße 58, D-69115 Heidelberg

Heidelberg, March 13, 2023

Summer Term 2023

Empirical Public Choice

Lecture:

Prof. Dr. Axel Dreher

Office hour: please arrange per e-mail (office: 01.019a+b)

E-mail: axel.dreher@awi.uni-heidelberg.de

Web: www.uni-heidelberg.de/fakultaeten/wiso/awi/professuren/intwipol/index_en.html

Exercise:

Annika Kaiser

Office hour: please arrange per e-mail (office: AWI 01.020)

E-mail: annika.kaiser@awi.uni-heidelberg.de

Time of Lecture (3SWS): Monday, 9.30-11.00, AWI 01.030
Wednesday, 9.30-11.00, AWI 01.030
Lecture period: April 17-July 12
There will be no lectures on May 3, 8, and 31; June 12 and 14

Exercise (1 SWS): Tuesday, 14:00-15:30, AWI 01.030. Every two weeks
The first tutorial is on April 25

Exam: A 120-minute exam at the end of the term, 20 points for homework

Language: The lecture will be held in German, the exercise may be held in English

I. Content

The approach of New Political Economy is helpful for a better understanding of economic and financial policy. The lecture will focus on the scientific discussion of theoretical reflections and the results of empirical research, as well as on the possibilities and limits of Political Economy.

II. Literature

The standard textbook “Public Choice III” by Dennis Mueller covers most subjects:

* Mueller, Dennis C., 2003, *Public Choice III*, Cambridge, New York and Melbourne: Cambridge University Press.

III. Schedule

Part 1 Politics from the Perspective of Political Economy

1. Introduction: Public Finance and Public Choice

Frey (1982), K ulp (1982), Mueller (2003): Chap. 1

2. Models of Government Behavior

Dreher et al. (2009a), Mueller (2003): Chap. 11-12, Pommerehne (1978)

3. Electoral Popularity and Political Business Cycles

Alt and Lassen (2006), Brenden and Drazen (2008), Jordahl (2006), Mueller (2003): Chap. 19, Reynolds (2014)

Part 2 Essential Political Institutions

4. Economic Theory of Representative Democracy

Mueller (2003): Pages 264-278, Persson and Tabellini (2004), Persson, Tabellini and Trebbi (2003)

5. Economic Theory of Direct Democracy

Benz and Stutzer (2004), Frey and Stutzer (2000, 2006), Matsusaka (2005)

6. Economic Theory of Federalism

Frey and Eichenberger (2001), Mueller (2003): Chap. 9-10, Oates (2005)

Part 3 Important Players in Political Processes

7. Lobbies and Interest Groups

Luechinger and Moser (2014), Mueller (2003): Chapters 15, 20

8. Bureaucracy

Mueller (2003): Chap. 16

Part 4 Selected Aspects of Political Economy

9. Development Aid

Dreher, Eichenauer, Gehring (2018), Dreher et al. (2019a), Kuziemko and Werker (2006)

10. International Organizations

Dreher et al. (2009b, c, 2013), Schneider (2013)

11. Corruption

Dreher and Gassebner (2013), Dreher and Rudolph (2011), Rose-Ackerman (2004)

IV. Literature

Electronic files of most literature can be downloaded from Moodle. Additional literature will be indicated in the lectures.

- Acemoglu, Daron, 2005, Constitutions, Politics, and Economics: A Review Essay on Persson and Tabellini's the Economic Effects of Constitutions, *Journal of Economic Literature* 43, 4: 1025-1048.
- Acemoglu, Daron, Johnson, Simon and James Robinson, 2001, The Colonial Origins of Comparative Development: An Empirical Investigation, *American Economic Review* 91, 5: 1369-1401.
- Alesina, Alberto and David Dollar, 2000, Who Gives Foreign Aid to Whom and Why? *Journal of Economic Growth* 5, 1: 33-63.
- *Alt, James E. and David Dreyer Lassen, 2006, Transparency, Political Polarization, and Political Budget Cycles in OECD Countries, *American Journal of Political Science* 50, 3: 530-550.
- Andersen, Thomas B., Hansen, Henrik and Thomas Markussen, 2006, US politics and World Bank IDA-lending, *Journal of Development Studies* 42, 5: 772-794.
- Avis, Eric, Claudio Ferraz, Frederico Finan, and Carlos Varjão, 2017, Money and Politics: The Effects of Campaign Spending Limits on Political Competition and Incumbency Advantage, No. w23508. National Bureau of Economic Research.
- Barro, Robert J. and Jong-Wha Lee, 2005, IMF Programs: Who Is Chosen and What are the Effects? *Journal of Monetary Economics* 52:1245-1269.
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- Becker, Gary S., 1976, *The Economic Approach to Human Behavior*, Chicago: Chicago University Press.
- *Benz, Matthias and Alois Stutzer, 2004, Are voters better informed when they have a larger say in politics? Evidence for the European Union and Switzerland, *Public Choice* 119, 1-2: 31-59.
- Berggren, Niclas, Jordahl, Henrik and Panu Poutvaara, 2010, The Looks of a Winner: Beauty, Gender, and Electoral Success, *Journal of Public Economics* 94, 1-2: 8-15.
- Besley, Timothy, 2006, *Principled Agents? The Political Economy of Good Government*, Oxford: Oxford University Press: Kapitel 1.
- Besley, Timothy and Marta Reynal-Querol, 2011, Do Democracies Select More Educated Leaders? *American Political Science Review* 105, 3: 552-566.
- Besley, Timothy and Anne Case, 1995, Incumbent Behavior: Vote-Seeking, Tax-Setting, and Yardstick Competition, *American Economic Review* 85, 1: 25-45.
- Best, Heinrich and Maurizio Cotta, 2000, *Parliamentary representatives in Europe 1848-2000, Legislative recruitment and careers in eleven European countries*, London: Oxford University Press. →In der Campusbibliothek Bergheim ausleihbar
- Bertrand, Marianne, Matilde Bombardini, Raymond Fisman, and Francesco Trebbi, 2018, Tax-Exempt Lobbying: Corporate Philanthropy as a Tool for Political Influence. No. w24451. National Bureau of Economic Research.
- Bland, Elizabeth and Christopher Kilby, 2012, Informal influence in the Inter-American Development Bank, Villanova School of Business Department of Economics and Statistics Working Paper Series 22, Villanova School of Business Department of Economics and Statistics.
- Blankart, Charles B., 2000, The Process of Government Centralization A Constitutional View, *Constitutional Political Economy* 11: 27-39.

- Brender, Adi and Allan Drazen, 2005, Political Budget Cycles in New Versus Established Democracies, *Journal of Monetary Economics* 52, 7: 1271-1295.
- *Brender, Adi and Allan Drazen, 2008, How Do Budget Deficits and Economic Growth Affect Reelection Prospects? Evidence from a Large Panel of Countries, *American Economic Review* 98, 5: 2203-2220.
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- Buchanan, James and W. Craig Stubblebine, 1962, Externality, *Economica*, New Series 29, 116: 371-384.
- Burnside, Craig and David Dollar, 2000, Aid, Policies and Growth, *American Economic Review* 90, 4: 847-868.
- Dal Bó, Ernesto, Frederico Finan, Olle Folke, Torsten Persson, and Johanna Rickne, 2017, Who Becomes a Politician? *The Quarterly Journal of Economics* 132, no. 4: 1877-1914.
- Dal Bó, Ernesto, Pedro Dal Bó, and Erik Eyster, 2018, The Demand for Bad Policy When Voters Underappreciate Equilibrium Effects, *The Review of Economic Studies* 85, no. 2: 964-998.
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- *Dreher, Axel, Andreas Fuchs, Roland Hodler, Bradley C. Parks, Paul A. Raschky, Michael J. Tierney, 2019a, African Leaders and the Geography of China's Foreign Assistance, *Journal of Development Economics* 140: 44-71.
- *Dreher, Axel and Martin Gassebner, 2013, Greasing the wheels of entrepreneurship? The impact of regulations and corruption on firm entry, *Public Choice* 155: 413-432.
- *Dreher, Axel, Klasen, Stephan, Vreeland, James and Eric Werker, 2013, The costs of favoritism: Is politically-driven aid less effective? *Economic Development and Cultural Change* 62: 157-191.
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- *Dreher, Axel and Alexandra Rudolph, 2011, Korruption und Schattenwirtschaft: die Bedeutung guter Regeln, in T. Theurl (ed.), *Gute Regeln oder Wirtschaftslenkung? Europas neue Herausforderungen*, 181-212, Berlin: Duncker & Humblot.
- Dreher, Axel and Justina A.V. Fischer, 2010, Government decentralization as a disincentive for transnational terror? An empirical analysis, *International Economic Review* 51, 4: 981-1002.
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- *Dreher, Axel, Lamla, Michael, Lein, Sarah and Frank Somogyi, 2009a, The impact of political leaders' profession and education on reforms, *Journal of Comparative Economics* 37, 1: 169-193.
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