



Heidelberg, 2. Mai 2024

### Summer Term 2024

### Empirical Public Choice

#### Lecture:

Prof. Dr. Axel Dreher

Office hour: please arrange per e-mail (office: AWI 01.019)

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#### Exercise:

Tilman Waffenschmidt

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Time of Lecture (3SWS):    Monday, 9.30-11.00, AWI 01.030  
                                      Wednesday, 10.30-12.00, AWI 01.030  
                                      Lecture period: April 15-June 26  
                                      There will be no lecture on June 12

Exercise (1 SWS):            Tuesday, 14:15-15:45, AWI 01.030. Every two weeks  
                                      The first tutorial is on April 23rd.

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

Language:                      German

### 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 provides background information:

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

Most chapters are however based on scientific articles rather than the textbook. (Only) articles with two asterisks are mandatory reading.

## III. Schedule

### Part 1 Politics from the Perspective of Political Economy

#### 1. Introduction: Public Finance and Public Choice

Frey (1982), Külp (1982), Mueller (2003): Chap. 1

#### 2. Models of Government Behavior

\*\*Kirkland (2021), Pommerehne (1978), Mueller (2003): Chap. 11-12

#### 3. Electoral Popularity and Political Business Cycles

\*\*Brender and Drazen (2008), Mueller (2003): Chap. 19, Alt and Lassen (2006), Reynolds (2014), Dal Bó et al. (2017), Avdeenko (2018)

### Part 2 Essential Political Institutions

#### 4. Economic Theory of Representative Democracy

\*\*Funk and Gathmann (2013), Mueller (2003): Pages 264-278, Persson and Tabellini (2004), Persson, Tabellini and Trebbi (2003)

#### 5. Economic Theory of Direct Democracy

\*\*Stutzer et al. (2019), Benz and Stutzer (2004), Frey and Stutzer (2000, 2006), Matsusaka (2005)

#### 6. Economic Theory of Federalism

\*\*Burret et al. (2022), Frey and Eichenberger (2001), Mueller (2003): Chap. 9-10, Oates (2005)

### Part 3 Important Players in Political Processes

#### 7. Lobbies and Interest Groups

\*\*Bertrand et al. (2020), Mueller (2003): Chapters 15, 20, Luechinger and Moser (2014)

#### 8. Bureaucracy

\*\*Cruces et al. (2023), Mueller (2003): Chap. 16, Banuri and Keefer (2016)

### Part 4 Selected Aspects of Political Economy

#### 9. Development Aid

\*\*Bomprezzi et al. (2024), Andersen et al. (2022), Kuziemko and Werker (2006), Dreher, Eichenauer, Gehring (2018), Dreher et al. (2019a)

#### 10. International Organizations

\*\*Dreher et al. (2022), Dreher et al. (2009b, c, 2013), Schneider (2013)

#### 11. Corruption

\*\*Mironov and Zhuravskaya (2016), Dreher and Gassebner (2013), Dreher and Rudolph (2011)

## IV. Literature

Electronic files of most literature can be downloaded from Moodle.

- 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, Jørgen Juel, Niels Johannesen, and Bob Rijkers, 2022, Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts, *Journal of Political Economy* 130, 2: 388-425.
- \*Avdeenko, Alexandra, 2018, Long-Term Evidence of Retrospective Voting: A Natural Experiment from the German Democratic Republic, *European Economic Review* 103: 83-107.
- 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.
- \*Banuri, Sheheryar and Philip Keefer, 2016, Pro-social Motivation, Effort and the Call to Public Service, *European Economic Review* 83: 139-164.
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- 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.
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- Blankart, Charles B., 2000, The Process of Government Centralization A Constitutional View, *Constitutional Political Economy* 11: 27-39.
- \*\*Bomprezzi, Pietro, Axel Dreher, Andreas Fuchs, Teresa Hailer, Andreas Kammerlander, Lennart Kaplan, Silvia Marchesi, Tania Masi, Charlotte Robert, Kerstin Unfried, 2024, Wedded to Prosperity? Informal Influence and Regional Favoritism, CEPR Discussion Paper 18878.
- 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.

- \*\*Burret, Heiko T., Lars P. Feld, and Christoph A. Schaltegger, 2022, Fiscal Federalism and Economic Performance. New Evidence from Switzerland, *European Journal of Political Economy* 74: 102159.
- \*\*Cruces, Guillermo, Martín A. Rossi, and Ernesto Schargrotsky, 2023, Dishonesty and Public Employment, *American Economic Review: Insights* 5, 4: 511-526.
- \*Dal Bó, Ernesto, Frederico Finan, Olle Folke, Torsten Persson, and Johanna Rickne, 2017, Who Becomes a Politician? *Quarterly Journal of Economics* 132, 4: 1877-1914.
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- \*Dreher, Axel, Eichenauer, Vera and Kai Gehring, 2018, Geopolitics, Aid and Growth: The Impact of UN Security Council Membership on the Effectiveness of Aid, *World Bank Economic Review* 32: 268-286.
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- \*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, Jan-Egbert Sturm and James Vreeland, 2009b, Global Horse Trading: IMF loans for votes in the United Nations Security Council, *European Economic Review* 53: 742-757.
- \*Dreher, Axel, Sturm, Jan-Egbert and James Vreeland, 2009c, Development Aid and International Politics: Does Membership on the UN Security Council Influence World Bank Decisions? *Journal of Development Economics* 88: 1-18.
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