

UNIVERSITÄT HEIDELBERG

ALFRED-WEBER-INSTITUT

PROF. DR. AXEL DREHER



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

Heidelberg, April 4, 2024

Summer Term 2024

Empirical Public Choice

Lecture:

Prof. Dr. Axel Dreher

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

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

Web: <https://axel-dreher.de/>

Exercise:

Tilmann Waffenschmidt

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

E-mail: tilmann.waffenschmidt@awi.uni-heidelberg.de

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 based on scientific articles rather than a textbook.

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), 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, Banuri and Keefer (2016)

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 sources will be given 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.
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- 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.
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- *Banuri, Sheheryar and Philip Keefer, 2016, Pro-social Motivation, Effort and the Call to Public Service, *European Economic Review* 83: 139-164.
- 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.
- 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.

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- 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.
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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.
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- Dreher, Axel, Valentin Lang, Katharina Richert, 2019b, The Political Economy of International Finance Corporation Lending, *Journal of Development Economics* 140: 242-254.
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