

# UNIVERSITÄT HEIDELBERG

ALFRED-WEBER-INSTITUT

PROF. DR. AXEL DREHER



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Heidelberg, February 23, 2026

## Summer Term 2026

### Empirical Public Choice

#### Lecture:

Prof. Dr. Axel Dreher

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

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#### Exercise:

Fernanda Almeida Ribeiro de Jesus

Office hour: please arrange per e-mail (office: AWI 01.021)

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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 13 - June 29 (no lectures on May 6, June 15)

Exercise (1 SWS): Tuesday, 14:15-15:45, AWI 01.030. Every two weeks  
The first tutorial is on April 21.

Evaluation: A 120-minute exam; 20 bonus points each in lecture and exercise.

Language: German and English

## I. Content

This lecture focuses on the empirical analysis of political economy questions using modern causal identification strategies. Rather than emphasizing textbook-style theoretical derivations, the course is built around recent academic journal articles that apply methods such as natural experiments, instrumental variables, difference-in-differences, regression discontinuity designs, and related quasi-experimental approaches. Students are expected to read key papers carefully prior to class. Lectures will discuss the research design, identification assumptions, data construction, and interpretation of results. Short in-class quizzes on the mandatory readings provide opportunities to earn additional points.

In the exercises, students will present and critically assess the empirical methods used in selected papers and illustrate core elements of the analysis by working with the original data and code; these presentations also count toward bonus points. The overall goal is to enable students to understand, evaluate, and apply state-of-the-art empirical methods in public choice research.

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. Articles with two asterisks are mandatory reading.

## II. 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)

### III. 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.
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- \*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.
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- 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.
- \*\*Bertrand, Marianne, Matilde Bombardini, Raymond Fisman, and Francesco Trebbi, 2020, Tax-Exempt Lobbying: Corporate Philanthropy as a Tool for Political Influence, *American Economic Review* 110, 7: 2065-2102.
- 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.
- Dal Bó, Ernesto, Pedro Dal Bó, and Erik Eyster, 2018, The Demand for Bad Policy When Voters Underappreciate Equilibrium Effects, *Review of Economic Studies* 85, 2: 964-998.
- Dreher, Axel, Méon, Pierre-Guillaume and Friedrich Schneider, 2014, The devil is in the shadow. Do institutions affect income and productivity or only official income and official productivity? *Public Choice* 158: 121-141.
- \*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 and Justina A.V. Fischer, 2010, Government decentralization as a disincentive for transnational terror? An empirical analysis, *International Economic Review* 51, 4: 981-1002.
- Dreher, Axel and Friedrich Schneider, 2010, Corruption and the Shadow Economy: An Empirical Analysis, *Public Choice* 144: 215-238.
- 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.
- Dreher, Axel, Valentin Lang, Katharina Richert, 2019b, The Political Economy of International Finance Corporation Lending, *Journal of Development Economics* 140: 242-254.
- \*\*Dreher, Axel, Valentin Lang, B. Peter Rosendorff and James Raymond Vreeland, 2022, Bilateral or Multilateral? International Financial Flows and the Dirty-Work Hypothesis, *Journal of Politics* 84, 4: 1932-1946.
- \*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.

- Dreher, Axel and Nathan Jensen, 2007, Independent Actor or Agent? An Empirical Analysis of the Impact of US Interests on IMF Conditions, *Journal of Law and Economics* 50, 1: 105-124.
- Fleck, Robert K. and Christopher Kilby, 2006, How Do Political Changes Influence US Bilateral Aid Allocations? Evidence from Panel Data, *Review of Development Economics*, Wiley Blackwell 10, 2: 210-223.
- Frey, Bruno S., 2001, A Utopia? Government without Territorial Monopoly, *Journal of Institutional and Theoretical Economics* 157, 1: 162-75.
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- \*Frey, Bruno S. and Reiner Eichenberger, 2001, A Proposal for a Dynamic Federalism: FOCJ. In: Ram Mudambi, Pietro Navarra and Giuseppe Sobbrío (eds), *Rules and Reason*, Cambridge: Cambridge University Press: 237-257.
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