

UNIVERSITÄT HEIDELBERG

ALFRED-WEBER-INSTITUT

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Summer Term 2020

Empirical Public Choice

Lecture:

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Time of Lecture:	Wednesday, 9.30-11.45, AWI Room 00.028 (Weekly, after lockdown. Until then lectures are available online).
Exercise:	Tuesday, 16:15-17:45, AWI Room 00.010 (Fortnightly, after lockdown. Until then exercises are available online).
Exam:	A 120-minute exam at the end of the term, 20 points for homework
Language:	The lecture will be held in German and the exercise and exam in English

Note: The lecture is largely based on “Ökonomische Theorie der Finanz- und Wirtschaftspolitik” by Prof. Dr. Alois Stutzer, University of Basel, and in small parts on “Ökonomische Theorie der Politik” by Prof. Dr. Helge Berger, Free University of Berlin.

Due to the ongoing pandemic, lectures and exercise sessions will be delivered online until further notice. There is uncertainty about whether and when in-person classes may begin and how exams will take place. All changes will be communicated in time to students. Thus, this syllabus is subject to change.

For online classes, you will have slides with audio lectures available for the lectures and exercise sessions on Moodle. In addition, you will have access to other materials such as research articles and worksheets. This will provide you flexibility to study everything carefully.

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.

Monograph:

* 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), Külp (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*, Taylor & Francis Journals, 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.

Baretti, Christian et al., 2000, Der deutsche Federalismus auf dem Prüfstand: Vorschläge zu einer effizienteren Gestaltung. In: *ifo-Schnelldienst*, Jg. 53 (28/29), 26ff.

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, *The 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

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- 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.
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- 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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- 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.
- *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.
- Dreher, Axel, Schmaljohann, Maya and Peter Nunnenkamp, 2015, The Allocation of German Aid: Self-interest and Government Ideology, *Economics & Politics* 27: 160-184.
- Dreher, Axel and Jan-Egbert Sturm, 2012, Do the IMF and the World Bank Influence Voting in the UN General Assembly? *Public Choice* 151, 1: 363-397.
- *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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