

# UNIVERSITÄT HEIDELBERG

ALFRED-WEBER-INSTITUT

PROF. DR. AXEL DREHER



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Heidelberg, April 13, 2022

## Summer Term 2022

### Empirical Public Choice

#### Lecture:

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#### Exercise:

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Time of Lecture:

Wednesday, 9.30-11.45, **AWI 00.010. Weekly.**

First lecture on April 20<sup>th</sup>.

Exercise:

Tuesday, 14:00-15:30, **AWI 00.010. Every two weeks.**

First tutorial on May 3<sup>rd</sup>.

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 will be 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.
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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
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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.
- 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.
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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 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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