**Course title:** Public Choice: Theory and Empirics

**Course code:** DOPP 5676

**Lecturer or Instructor:** Prof. Dr. Monika Köppl-Turyna

**No. of credits (US/ECTS):** 2 credits (4 ECTS)

**Academic year and term (fall/winter/spring):** 2025/26 fall term

**Course level:** MA

**Relationship with other courses (e.g. prerequisites for taking the course):** Knowledge of basic micro- and macroeconomics is desirable

**Course type (Mandatory, Mandatory Elective, or Elective):** Elective

**Course description**

*Public choice theory offers valuable insights into political decision-making by analyzing how individual incentives and institutional structures influence collective outcomes. Think about the development of the 2018 trade war between USA and China. Trump's tariffs on steel and aluminum benefited domestic manufacturers but increased costs for automakers, construction firms, and consumers. The U.S. steel industry lobbied heavily for protectionist measures, showing classic* ***rent-seeking behavior****—where industries use political influence to secure favorable policies rather than competing in the market. The benefits of tariffs were concentrated among a few industries (e.g., U.S. steel producers), while the costs were spread out among millions of businesses and consumers. Public choice theory explains why* ***protectionist policies persist****—small groups with high stakes push for policies, while the larger public, facing minor individual losses, does not mobilize as effectively. Further, while Trump’s tariffs were not explicitly designed to target swing counties, they* ***benefited*** *key Rust Belt states like Pennsylvania, Michigan, and Ohio—which were crucial for his electoral strategy. Public choice theory suggests that* ***politicians create policies to maximize electoral support****, and these tariffs appealed to blue-collar workers in manufacturing-heavy battleground states. China’s counter-tariffs were* ***strategically targeted*** *at industries in Trump-supporting regions, especially agriculture in the Midwest and cost the Republicans a big share of votes in the subsequent elections.*

*These are the kinds of real-life phenomena that can be analysed with public choice theory.*

*This course explores the foundations of public choice theory, analyzing how economic and political institutions shape collective decision-making. It covers key theoretical models, including voting systems, rent-seeking, and bureaucracy, while integrating empirical research to assess real-world policy outcomes. Students will engage with case studies and empirical literature to evaluate the effectiveness of public choice theories in explaining government behavior, policy outcomes, and international differences in economic performance of nations. By the end of the course, participants will develop critical analytical skills to assess political incentives and policy design and their effects from both theoretical and empirical perspectives.*

**Learning outcomes:**

By the end of this course, students will be able to:

✓ Analyze key theoretical frameworks in public choice, including voting theory, rent-seeking, and bureaucratic behavior.

✓ Critically assess empirical studies that test public choice theories using real-world data.

✓ Apply quantitative and qualitative methods to assess political decision-making and institutional performance.

✓ Critically assess the role of incentives in political and economic institutions.

✓ Develop policy recommendations based on insights from public choice theory and empirical evidence.

**Main textbooks:**

Mueller, D. C. (2003). Public choice III. Cambridge University Press.

Voigt, S. (2020). Constitutional economics: A primer. Cambridge University Press.

**Assessment**:

Assessment of the course is based on a **seminar paper** on the topics discussed in class. The paper should be a case study of **observed world phenomena** based on the theoretical and empirical concepts discussed in class.

A rough outline is as follows (the order can be changed):

1. Introduction and context

2. Theoretical concept presented and related literature

3. Case study with a research question

4. Detailed explanation of the solution

The entire paper should not be longer than 10 pages (font size 12pt, normal margins, line spacing 1.5).

The following assessment criteria are applied (total 25 points):

1. Introduction & context: description complete, references appropriate and sufficient (5 points)

2. Theoretical concept: complete and correct definition of the concept, sufficient theoretical explanation and necessary formulas or figures (10 points)

3. Case: correct application of the concept to the problem, correct implementation of the calculations or explanations, complete and detailed description of the procedure, if necessary, figures with applied data. (10 points)

**Course contents and timetable:**

| **Session, Date & Title** | **Readings** |
| --- | --- |
| **Session 1: 15.09.2025, 15:40–17:20** Introduction to Public Choice |  |
| **Session 2: 22.09.2025, 15:40–17:20** Origins of the state and collective decision-making | Mueller (2003) Public Choice III, Chapters 2 and 3 |
| **Session 3: 29.09.2025, 15:40–17:20** Economic theory of democracy – Downs Model: theory and empirical applications | Mueller (2003) Public Choice III, Chapters 5 and 6 |
| **Session 4: 6.10.2025, 15:40–17:20** Economic theory of democracy – Downs Model (cont’d) | Mueller (2003) Public Choice III, Chapters 11 and 12  Schofield, N. (2007). The mean voter theorem: necessary and sufficient conditions for convergent equilibrium. The Review of Economic Studies, 74(3), 965–980.  Köppl-Turyna, M. (2014). Campaign finance regulations and policy convergence: The role of interest groups and valence. European Journal of Political Economy, 33, 1–19. |
| **Session 5: 13.10.2025, 15:40–17:20** The paradox of voting, rent-seeking | Mueller (2003) Public Choice III, Chapters 14 and 15  Tyran, J. R. (2004). Voting when money and morals conflict: an experimental test of expressive voting. Journal of Public Economics, 88(7-8), 1645–1664.  François, A., & Gergaud, O. (2019). Is civic duty the solution to the paradox of voting? Public Choice, 180(3), 257–283.  Laband, D. N., & Sophocleus, J. P. (2019). Measuring rent-seeking. Public Choice, 181, 49–69.  Del Rosal, I. (2011). The empirical measurement of rent‐seeking costs. Journal of Economic Surveys, 25(2), 298–325. |
| **Session 6: 20.10.2025, 15:40–17:20** Economic theory of bureaucracy | Mueller (2003) Public Choice III, Chapter 16 |
| **Session 7: 3.11.2025, 15:40–17:20** The size of the government | Mueller (2003) Public Choice III, Chapter 21  Sausgruber, R., & Tyran, J. R. (2005). Testing the Mill hypothesis of fiscal illusion. Public Choice, 122(1), 39–68.  Sausgruber, R., & Tyran, J. R. (2011). Are we taxing ourselves?: How deliberation and experience shape voting on taxes. Journal of Public Economics, 95(1-2), 164–176. |
| **Session 8: 10.11.2025, 15:40–17:20** Political competition and economic outcomes; political budget cycles | Mueller (2003) Public Choice III, Chapter 19  Nordhaus, W. D. (1975). The political business cycle. The Review of Economic Studies, 42(2), 169–190.  Rogoff, K. S. (1987). Equilibrium political budget cycles.  De Haan, J., & Klomp, J. (2013). Conditional political budget cycles: a review of recent evidence. Public Choice, 157, 387–410.  Veiga, L. G., Efthyvoulou, G., & Morozumi, A. (2024). Political Budget Cycles. In The Oxford Handbook of Time and Politics, 243.  Köppl-Turyna, M., Kula, G., Balmas, A., & Waclawska, K. (2016). The effects of fiscal decentralisation on the strength of political budget cycles in local expenditure. Local Government Studies, 42(5), 785–820. |
| **Session 9: 17.11.2025, 15:40–17:20** Federalism and intergovernmental relations / Interest Groups and Lobbying | Mueller (2003) Public Choice III, Chapter 10  Fisher, R.C. (2022). State and Local Public Finance (5th ed.). Routledge.  Mueller (2003) Public Choice III, Chapter 20  Blanga-Gubbay, M., Conconi, P., & Parenti, M. (2025). Lobbying for globalisation. The Economic Journal, 135(666), 487–518.  Polk, A. (2024). Lobbying: A Public Choice Perspective. In The Political Economy of Lobbying: Channels of Influence and their Regulation (pp. 13–39). Cham: Springer International Publishing. |
| **Session 10: 24.11.2025, 15:40–17:20** Interest Groups and Lobbying (cont’d) / Constitutional political economy | Stigler, George J. (1971). The theory of economic regulation. Bell Journal of Economics and Management Science. 2(1), 3-21.  Voigt, S. (2021). Constitutional Economics: a Primer. Chapter 1 |
| **Session 11: 1.12.2025, 15:40–17:20** Constitutional political economy (cont’d) | Voigt, S. Constitutional Economics: a Primer. Chapter 3  Kantorowicz, J., & Köppl–Turyna, M. (2019). Disentangling the fiscal effects of local constitutions. Journal of Economic Behavior & Organization, 163, 63–87.  Köppl–Turyna, M., & Pitlik, H. (2018). Do equalization payments affect subnational borrowing? Evidence from regression discontinuity. European Journal of Political Economy, 53, 84–108. |
| **Session 12: 5.12.2025, 08:50–10:20** What have we learned? Real-life applications & case studies |  |