

# Master Seminar: Empirical Political Economics

Patrick Hufschmidt  
patrick.hufschmidt@uni-marburg.de

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## 1 General Information

The seminar takes place weekly on Thursdays from 12:00 to 14:00, from 16.04.2026 to 11.06.2026. There are no sessions on 14.05.2026 and 04.06.2026. The regular seminar sessions take place in Q13 (SEM 00/0130), Pilgrimstein 12, Seminargebäude (R 1.07).

The weekly sessions are reserved for input and discussion.

In addition, there are two block sessions reserved for presentations on Saturdays, 20.06.2026 and 27.06.2026, from 09:00 to 18:00. These sessions take place in +1026 (AP 1), Am Plan 1 und 2, Institutsgebäude (U 1.07).

To receive credit for the seminar, students must submit either a seminar paper or a replication report on one of the seminar topics and present their work during one of the block sessions. The submission deadline is one week before the presentation date.

Please note that the literature listed below is provisional and subject to change.

## 2 Topics

This seminar introduces students to the fundamental empirical methods currently used in Applied Microeconometrics and Empirical Political Economics to uncover causal effects using observational data. The methods discussed include natural experiments, identification strategies, difference-in-differences, instrumental variables, and regression discontinuity designs. The course's primary objectives are to enhance students' understanding of application-oriented econometrics and enable them to critically evaluate empirical studies.

The examples used to identify causal effects cover topics such as fiscal policy, party effects, voting behavior, governmental structure, institutions and economic development, and ideology. The discussed methods can be applied across various fields of empirical research, with numerous applications in academia, as well as in the public and private sectors.

### 3 Competences

Participants will have the opportunity to either evaluate an empirical paper by writing a referee report or replicate an empirical study using *R*, *Stata*, or *Python* by preparing a replication report. Along these lines, students will engage with contemporary topics in Political Economy, craft a seminar paper, and improve their presentation skills. They will learn to formulate and defend their positions while developing a strong command of the relevant terminology in the field.

Subject-related skills include a profound knowledge of the discussed literature. Analytical skills involve the analysis and evaluation of empirical papers, as well as data analysis.

### 4 Literature

#### 1. Identification issues in empirical research

- Morgan, S. L. and C. Winship (2007). *Counterfactuals and Causal Inference: Methods and Principles for Social Research*. Cambridge: Cambridge University Press.
- Imai, K., G. King and E. A. Stuart (2008). Misunderstandings between experimentalists and observationalists about causal inference. *Journal of the Royal Statistical Society: Series A*, 171, 481–502.
- Angrist, J. D. and J. S. Pischke (2008). *Mostly Harmless Econometrics: An Empiricist's Companion*. Princeton: Princeton University Press.
- de Chaisemartin, C. and X. D'Haultfoeuille (2020). Two-way fixed effects estimators with heterogeneous treatment effects. *American Economic Review*, 110(9), 2964–2996.
- Huntington-Klein, N. (2022). *The Effect: An Introduction to Research Design and Causality*. Chapman and Hall/CRC.

#### 2. Size of the legislature and public spending

- Pettersson-Lidbom, P. (2012). Does the size of the legislature affect the size of the government? Evidence from two natural experiments. *Journal of Public Economics*, 96, 269–278.
- Baqir, R. (2002). Districting and government overspending. *Journal of Political Economy*, 110, 1318–1354.

#### 3. Soft budget constraints and fiscal policy

- Pettersson-Lidbom, P. (2010). Dynamic commitment and the soft budget constraint: An empirical test. *American Economic Journal: Economic Policy*, 2(3), 154–179.

- Baskaran, T. (2012). Soft budget constraints and strategic interactions in subnational borrowing: Evidence from the German states, 1975–2005. *Journal of Urban Economics*, 71, 114–127.

#### 4. Incumbency advantage

- Lee, D. S. (2008). Randomized experiments from non-random selection in U.S. House elections. *Journal of Econometrics*, 142, 675–687.
- Boas, T. C. and F. D. Hidalgo (2011). Controlling the airwaves: Incumbency advantage and community radio in Brazil. *American Journal of Political Science*, 55, 869–885.
- Lopes da Fonseca, M. (2017). Identifying the source of incumbency advantage through a constitutional reform. *American Journal of Political Science*, 61, 657–670.

#### 5. Political institutions

- Persson, T. and G. Tabellini (2006). Democracy and development: The devil in the details. *American Economic Review*, 96, 319–324.
- Funk, P. and C. Gathmann (2013). How do electoral systems affect fiscal policy? Evidence from cantonal parliaments, 1890–2000. *Journal of the European Economic Association*, 11, 1178–1203.

#### 6. Direct democracy

- Funk, P. and C. Gathmann (2011). Does direct democracy reduce the size of government? New evidence from historical data, 1890–2000. *The Economic Journal*, 121, 1252–1280.
- Pettersson-Lidbom, P. and B. Tyrefors Hinnerich (2014). Democracy, redistribution, and political participation: Evidence from Sweden 1919–1938. *Econometrica*, 82(3), 961–993.

#### 7. Ethno-linguistic heterogeneity and fiscal policy

- Alesina, A., R. Baqir, and W. Easterly (1999). Public goods and ethnic divisions. *Quarterly Journal of Economics*, 114, 1243–1284.
- Dahlberg, M., K. Edmark, and H. Lundqvist (2012). Ethnic diversity and preferences for redistribution. *Journal of Political Economy*, 120(1), 41–76.

## 8. Favoritism

- Hodler, R. and P. A. Raschky (2014). Regional favoritism. *The Quarterly Journal of Economics*, 129(2), 995–1033.
- Dreher, A., Fuchs, A., Hodler, R., Parks, B. C., Raschky, P. A., and Tierney, M. J. (2021). Is favoritism a threat to Chinese aid effectiveness? A subnational analysis of Chinese development projects. *World Development*, 139, 105291.

## 9. Structure of the government and fiscal policy

- Schaltegger, C. A. and L. P. Feld (2009). Do large cabinets favor large governments? Evidence on the fiscal commons problem for Swiss cantons. *Journal of Public Economics*, 93, 35–47.
- Egger, P. and M. Koethenbueger (2010). Government spending and legislative organization: Quasi-experimental evidence from Germany. *American Economic Journal: Applied Economics*, 2(4), 200–212.

## 10. Ideology

- Lee, D. S., E. Moretti and M. J. Butler (2004). Do voters affect or elect policies? Evidence from the U.S. House. *Quarterly Journal of Economics*, 119, 807–859.
- Pettersson-Lidbom, P. (2008). Do parties matter for economic outcomes? A regression discontinuity approach. *Journal of the European Economic Association*, 6, 1037–1056.