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AWI This Week

Monday, 27.10.08

Departmental Seminar

17.15-18.45
AWI 1017

Christina Gathmann, Stanford University
"How do Electoral Systems affect Fiscal Policy? Evidence from State and Local Governments, 1890-2005".

Wednesday, 29.10.08

Internal Seminar

17.15-18.45
AWI 1017

Susanne Ohlendorf, Universität Bonn
"Expectation Damages, Divisible Contracts, and Bilateral Investment"

Departmental Seminar

Christina Gathmann, Stanford University

"How do Electoral Systems affect Fiscal Policy? Evidence from State and Local Governments, 1890-2005".

Using a newly collected data set from 1890 to today, we estimate how the adoption of proportional representation affects policies in Swiss cantons. We show that proportional systems tilt spending toward public goods like education and welfare benefits but decrease spending for targeted transfers like roads and agricultural subsidies. However, we find little evidence that proportional representation increases the size of government. We also demonstrate that compositional changes of the legislature, i.e. party fragmentation and better representation of left-wing parties, are associated with more spending, while the direct electoral incentives of proportional rule actually lower spending.

Invited by Andreas Roider.

Internal Seminar

Susanne Ohlendorf, Universität Bonn

"Expectation Damages, Divisible Contracts, and Bilateral Investment"

This paper examines the efficiency of expectation damages as a breach remedy in a bilateral trade setting with renegotiation and relationship-specific investment by the buyer and the seller. As demonstrated by Edlin and Reichelstein (1996), no contract that specifies only a fixed quantity and a fixed per-unit price can induce efficient investment if marginal cost is constant and deterministic. We show that this result does not extend to more general payoff functions. If both parties face the risk of breaching, the first best becomes attainable with a simple price-quantity contract.

Invited by Andreas Roider.

**Editorial deadline for issue 5/2008 of the newsletter:
Wednesday, October 29, 2008, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact newsletter@awi.uni-heidelberg.de