



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
BERGHEIMER STR. 58, 69115 HEIDELBERG, TEL. 06221/54-2941, FAX: 06221/54-3592
REDAKTION: FREYA SCHADT, EMAIL: NEWSLETTER@AWI.UNI-HEIDELBERG.DE

AWI This Week

Friday, 3. 7. 09

13.00-14.15
room 01.030

14.30-15.45
room 01.030

17.30-18.45
room 01.030

Special Lectures

Martin Georg Kocher
"Public goods and endogenous institutions"

J. Philipp Reiß
"Zwei (Nicht-) Regulierungsbeispiele bei strategischer
Interaktion und Unsicherheit"

Thomas Tröger
"Collusion via Resale"

Monday, 6. 7. 09

17.15-18.45
AWI 00.010

Departmental Seminar

Wolfram Schlenker, Columbia University, New York
"The U.S. Biofuel Mandate and World Food Prices:
An Econometric Analysis of the Demand and Supply
of Calories"

Wednesday, 8. 7. 09

13.00 -14.15
room 00.028

15.30-16.45
room 00.028

Special Lectures

Lars Ehlers
"Controlled School Choice"

Xenia Matschke
"Antidumping als Strategische Handelspolitik unter
asymmetrischer Information"

Departmental Seminar

18.15-19.45
AWI 00.010

Madhav V. Rajan, Stanford Graduate School of Business
"Dynamics of Rate of Return Regulation"

**(Attention:
special time)**

Departmental Seminars

Wolfram Schlenker

"The U.S. Biofuel Mandate and World Food Prices: An Econometric Analysis of the Demand and Supply of Calories"*

We show how yield shocks (deviations from a time trend), which are likely attributable to random weather fluctuations, can facilitate estimation of both demand and supply elasticities of agricultural commodities. We identify demand using current-period shocks that give rise to exogenous shifts in supply. We identify supply using past yield shocks, which affect expected price through inventory accretion or depletion. Our estimated supply elasticities are larger than the standard approach taken in the literature, which uses expected prices in the supply equation from an autoregressive process. The problem with the standard approach is that prices are endogenous to anticipated shifts in supply. Our instrument separates exogenous weather-induced price fluctuations from those stemming from forecastable variations in growing area. We use our estimated elasticities to evaluate the impact of ethanol subsidies and mandates on food commodity prices, quantities, and food consumers' surplus. The current U.S. ethanol mandate requires that about 5 percent of world caloric production from corn, wheat, rice, and soybeans be used for ethanol generation. As a result, world food prices are predicted to increase by 30 percent and global consumer surplus from food consumption is predicted to decrease by 155 billion dollars annually.

*with Michael J. Roberts

Madhav V. Rajan

"Dynamics of Rate of Return Regulation"*

It is commonly accepted in the industrial organization literature that rate of return regulation leads to inefficient outcomes. Since prices are calculated so as to cover the regulated firm's average cost, which includes the periodic fixed costs associated with plant property and equipment, the conventional argument is that prices must exceed the marginal cost of production. This paper examines the dynamic properties of the rate of return regulation process when the regulated firm periodically undertakes new capacity investments. Our analysis identifies prices which can potentially emerge as equilibria of the regulation process. It is shown that the underlying accounting (depreciation) rules determine whether these equilibrium prices will be above, equal to, or below the long run marginal cost. We provide conditions under which the rate of return regulation process is dynamically stable so that prices indeed converge to their equilibrium values.

*with Alexander Nezlobin and Stefan Reichelstein

Talks and Research Visits

On June 27, Jan Schrader presented his paper "The Competition between Relationship-Based Microfinance and Transaction Lending" at the Fourth Annual Conference of the Verein für Socialpolitik, Research Committee Development Economics, in Frankfurt.

On June 26, Johanna Kühnel presented her paper "Innovation, Growth, and the Optimal Enforcement of the Rule of Law" (joint with Andreas Irmen) at the XVIIth AISSEC Conference "Growth and Development Patterns: The Role of Institutions in a Comparative Perspective" at the University of Perugia.

Visitors

From July 6-12, 2009, Ani Guerdjikova (Cornell University) will be visiting the AWI (room 01.025) for joint research with Jürgen Eichberger. She will work on case-based decision theory.

From July 5-11, 2009, David Schmeidler (Tel Aviv University) is visiting the AWI (room 01.012a) for research with Jürgen Eichberger. David Schmeidler's visit is supported by the "Global Networks" project of the Excellence Initiative. His research interest is in "Decision Making under Uncertainty".

**Editorial deadline for issue 20/2009 of the newsletter:
Wednesday, July 8, 2009, 12 o'clock
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,
please contact the address above.