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## Upcoming Seminars

### **Monday, 19.6.2017**

#### **Departmental Seminar**

17.15-18.15

AWI 00.010

Florian Artinger, MPI Berlin

(invited by Jörg Oechssler)

"Heuristic pricing in an uncertain market: ecological and constructivist rationality"

### **Tuesday, 20.6.2017**

#### **Economics and Politics Seminar**

13.45-14.45

AWI 01.030

Dennis P. Quinn, Georgetown University

"The political origins of exchange rate valuations"

### **Wednesday, 21.6.2017**

#### **Internal Seminar**

12.15-13.15

AWI 00.010

Lennart Kaplan

"Aid and conflict at the local level - Mechanisms and causality"

### **Wednesday, 21.6.2017**

#### **Macro & Econometrics Seminar**

17.00-18.00

AWI 01.030

Johannes Pfeifer, Universität zu Köln

"Transparency and Replication in Macroeconomics"

### Departmental Seminar

Florian Artinger

"Heuristic pricing in an uncertain market: ecological and constructivist rationality"

How do firms set prices when faced with an uncertain market? Analyzing the pricing strategies of used car dealers using online data and interviews, we find that dealers employ an aspiration level heuristic similar to a Dutch auction. At the same time, the aggregate market is well described by a model of equilibrium price dispersion. Unlike the equilibrium model, the heuristic correctly predicts systematic pricing characteristics such as high initial price, price stickiness, and the "cheap twin paradox". We also find first evidence that heuristic pricing can generate higher profits given uncertainty than the equilibrium strategy.

### Economics and Politics Seminar

Dennis P. Quinn

"The political origins of exchange rate valuations"\*

The relative strength of a country's currency is central to its economic performance. Real exchange rate *overvaluation* and volatility are linked to macroeconomic instability and slower growth, whereas *undervaluation* appears to promote growth. In this light, why do countries not consistently maintain undervalued currencies? We propose that the offsetting inflationary and growth effects of undervaluation lead countries with high levels of political competition to avoid sustained undervaluation. Currency volatility, undervaluation, and overvaluation each harm constituencies that can mobilize in competitive political contexts. We find that the *degree of competitiveness* of political institutions, rather than other attributes of democratic institutions, explains why countries do (or do not) undervalue their currencies, and why some countries maintain stable currency values. Democratic societies with politics that favor consumers have systematically, if modestly, overvalued exchange rates. Sustained bouts of competitive devaluation ("currency wars") are highly unlikely among democratic countries. We find strong electoral evidence that voters punish incumbent governments for bouts of sustained currency undervaluations, providing an electoral motivation for democratic governments avoiding currency wars.

\*with Steve Weymouth

### Internal Seminar

Lennart Kaplan

"Aid and conflict at the local level - Mechanisms and causality"

We examine whether the local distribution of development aid projects fosters conflict. using geo-coded data on the World Bank's 1995-2014 aid disbursements for more than 140 countries. Being able to localize these projects at the subnational and ethnic group level, we are also able to assess regional and ethnic inequalities in aid distribution across administrative units and ethnic homelands.

Our identification strategy relies on an instrumental variable approach based on the passing of an arguably exogenous income threshold set by the World Bank's International Development Association (IDA) combined with the propensity to receive aid in prior years. This way, we are able to identify the impact of regional aid inflows on conflict for a heterogeneous sample of low income countries in different regions of the world.

\* with Kai Gehring, Lennart Kaplan, Melvin Wong

## **Macro & Econometrics Seminar**

Johannes Pfeifer

"Transparency and Replication in Macroeconomics"

The talk will be concerned with how the recent "replication crisis" has affected empirical (macro-)economics. Using recent examples from the literature, the most salient issues affecting the discipline will be outlined. The last part of the talk will be concerned with implications for our roles as teachers, authors, referees, and editors.

## **Talks and Research Visits**

**Timo Goeschl** presented the paper "Learning from Fifty Years of Technological Change" (joint with P. Heindl) at the annual meeting of the Association of Environmental and Resource Economists in Pittsburgh, May 31-June 2.

**Angelika Müller** presented her paper "Aid donors" (joint with Andreas Fuchs) at the Beyond Basic Questions Workshop at the University of Milano at Garda Lake, June 4-6 and at the annual meeting of the Research Group on Development Economics of the German Economic Association, University of Göttingen, June 1-2. At both of the called events also **Gerda Asmus** presented her paper "Is Targeted Aid More Effective? Sector-specific needs, the composition of aid and its effects on growth" (joint with Axel Dreher and Peter Nunnenkamp).

## **Miscellaneous**

Zeno Enders (AWI) and Gernot Müller (University of Tübingen) organized the workshop "Exchange Rate Adjustment in the Euro Area" in the framework of the CESifo Venice Summer Institute 2017. Keynote speakers were Barry Eichengreen and Charles Engel. The workshop took place on San Servolo, Venice, June 12-13.

**Editorial deadline for issue 16, 2017 of the newsletter:  
Wednesday, June 21, 2017, 12 p.m.  
newsletter@awi.uni-heidelberg.de**

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