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## Upcoming Seminars

### **Monday, 18.11.2019**

#### **Departmental Seminar**

13.30-14.30

AWI 00.010

Jörg Bewersdorff

(invited by Jörg Oechssler)

"Skill and Chance in Games"

### **Tuesday, 19.11.2019**

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

13.45-14.45

AWI 01.030

Thomas Ferreira, Stellenbosch University

"Does Education Enhance Productivity in Smallholder  
Agriculture? Causal Evidence from Malawi"

### **Wednesday, 20.11.2019**

#### **Internal Seminar**

12.15-13.15

AWI 00.010

Marcel Oestreich and Alice Solda

"Inter-firm Information and Competitive Audit  
Mechanisms"

### **Wednesday, 20.11.2019**

#### **Macro and Econometrics Seminar**

13.30-14.30

AWI 01.030

Matthias Meier, Mannheim

"Monetary policy, markup dispersion and aggregate TFP"

### Departmental Seminar

Jörg Bewersdorff

"Skill and Chance in Games"

In most countries the regulations of gambling make distinctions whether the outcome of a game is predominantly influenced by skill or chance. In the past several proposals were given to measure skill in games. The difficulties arise from the fact that legal interpretation of the word skill is depending on jurisdiction. It may differ from legislation to legislation. But mathematics is an universal science. Therefore mathematics should be restricted to logical implications based on empirical data measured in a legal relevant context. In the talk an overview of laws, judgments, legal and mathematical literature is given. As conclusion a sufficient condition for a predominance of skill in a game is presented.

### Economics and Politics Seminar

Thomas Ferreira

"Does Education Enhance Productivity in Smallholder Agriculture? Causal Evidence from Malawi"

The returns to education in smallholder agriculture have been estimated but not causally in sub-Saharan Africa (SSA). This paper contributes to the literature by estimating, for the first time, the causal effects for Malawi using an instrumental variable approach (IV). The introduction of free primary education (FPE) and the age of paternal orphanhood are used as IV's for education. The instruments are shown to calculate local average treatment effects for individuals who only entered school due to FPE and only left school due to paternal orphanhood. It is found that there are large differences in returns to education between the subgroups. Returns are low and insignificant when FPE is used as an IV but they are larger and there is a significant effect when age of paternal orphanhood is used. Thus, while education can have large effects on agricultural productivity, this is not so for individuals specifically targeted by large scale expansions in access to education.

### Internal Seminar

Marcel Oestreich and Alice Solda

"Inter-firm Information and Competitive Audit Mechanisms"

We unify in a theoretical framework with endogenous emissions and emission reports several recent advances on competitive audit mechanisms for the enforcement of environmental taxes. While random auditing assigns the same audit probability to each regulated firm, competitive audit mechanisms assign a lower audit probability to the firms with higher self-reported emissions relative to others. The resulting strategic interdependences between the firms can yield audit leverage for the environmental protection agency. When firms have no information about each other's emissions,

competitive auditing induces higher reported emissions and the same level of actual emissions as compared to random auditing. These two results are isomorph to the main findings by Gilpatric et al. (2011) and Cason et al. (2016) respectively. When firms have perfect information about each other's emissions, competitive auditing induces the socially optimal level of emission, while this is not feasible under the random audit mechanism. This result is isomorph to the main finding by Oestreich (2017). Our experimental design also allows us to extend the model to the case where firms have limited information about each other's emissions.

## Macro and Econometrics Seminar

Matthias Meier

"Monetary policy, markup dispersion and aggregate TFP"\*

This paper studies a novel transmission mechanism of monetary policy, which explains why contractionary monetary policy shocks lower aggregate productivity. In models with firm-level heterogeneity in Calvo or Rotemberg price-setting frictions, firms with lower pass-through from marginal costs to prices optimally set higher markups. Contractionary monetary policy shocks further increase the relative markup of these firms. The consequential increase in markup dispersion lowers aggregate productivity. We provide empirical support for this mechanism by showing that (a) contractionary monetary policy shocks increase markup dispersion, (b) firms with higher pre-shock markups increase markups by more after the shock, and (c) markups are higher in industries with more rigid prices. A New Keynesian model, that is solved non-linearly to capture precautionary price setting, shows that our transmission channel is quantitatively important.

\*with Timo Reinelt

## Talks and Research Visits

**Stefan Trautmann** organized a workshop on *Experimental Economics and Finance*, November 8. Invited speakers were Markus Dertwinkel-Kalt (Frankfurt School of Finance), Daniela Puzzello (Indiana), Joachim Vosgerau (Bocconi) and Roman Sheremeta (Cleveland).

**John Cruzatti** presented his paper: "Free Trade Agreements and Local Economic Development: a Global Analysis with High-Resolution Data" at *LACEA-LAMES*, Benemérita Universidad Autónoma de Puebla, November 7-9 and at *Globalization and Structural Change*, University of Maastricht, October 23-24.

**Christopher Zuber** presented his paper "Improving the Reliability of Potential Output Estimates in Real Time" at the Statistics Seminar at the Friedrich-Alexander University Erlangen-Nürnberg, November 6.

Editorial deadline for issue 27/2019 of the newsletter:  
Wednesday, November 20, 2019, 12 p.m.  
newsletter@awi.uni-heidelberg.de