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AWI This Week

Monday, 9. 05. 11

Departmental Seminar

17.15-18.45

AWI 00.010

Maximilian Auffhammer, University of California, Berkeley

"Vehicle Weight, Highway Safety, and Energy Policy"

Wednesday, 11. 05. 11

Departmental Workshop

17.15-18.45

AWI 00.010

Andras Niedermeyer, University of Mannheim

"Search Brokers"

Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Departmental Seminar

Maximilian Auffhammer

"Vehicle Weight, Highway Safety, and Energy Policy"*

Heavier vehicles are safer for their own occupants but more hazardous for the occupants of other vehicles. In this paper we estimate the increased probability of fatalities from being hit by a heavier vehicle in a collision. We show that, controlling for own-vehicle weight, being hit by a vehicle that is 1,000 pounds heavier results in a 49 percent increase in the baseline fatality probability. Estimation results further suggest that this risk is even higher if the striking vehicle is a light truck (SUV, pickup truck, or minivan). We calculate that a secondbest gasoline tax, which accounts for the external risk generated by the gain in fleet weight since 1989, is approximately 28 cents per gallon. We further calculate that the total fatality externality is roughly equivalent to a gas tax of \$1.04 per gallon. We find that the difference between a gas tax and an optimal weight varying mileage tax is modest for most vehicles.

*with Michael Anderson

Departmental Workshop

Andras Niedermeyer

"Search Brokers"

We consider a market with dynamic random matching and bargaining with two-sided private information à la Satterthwaite and Shneyerov (2007). Traders know their valuation for the good before entering the market and steady state distributions in the market are endogenously determined in equilibrium. The market is organized by a profit maximizing broker. We compare the case where the broker can only charge participation fees to buyers and sellers and can influence neither the matching technology nor the bargaining protocol with two other cases. In the first alternative case, the broker can choose the bargaining protocol, but not the matching. In the second case, he can choose both (fully centralized mechanism). We find that the broker gets the same level of profits in optimum in all three cases. Further, the broker makes sure that the same mass of buyers and sellers enters the market in each period and that buyers and sellers trade immediately after entering. We further find that the ratio of (participation) fees in the fully decentralized setup is equal to the ratio of bargaining weights of the buyer and seller and independent of the elasticities of demand. Further, the price structure (i.e. ratio of fees) matters even if bargaining (or price setting) between buyers and sellers is not restricted by the broker. We further extend the model to a continuous time search model. Under a symmetry assumption or, alternatively, as search rates approach infinity, equivalence results carry over up to a constant multiplier of profits.

Talks and Research Visits

Peter Duersch presented his paper "Malevolent and Benevolent Ellsberg Urns" (joint with Adam Dominiak) at the 2011 Florence Annual Workshop on Behavioural and Experimental Economics.

Jan Schnellenbach presented the paper "On the relation between income inequality and happiness: Do fairness perceptions matter?" (co-authored with Christian Bjørnskov, Axel Dreher and Justina Fischer) at the European Public Choice Society annual conference in Rennes, April 28."

Visitors

Jean-Philippe Lefort, former Postdoc at the chair of Economic Theory I, stayed at the AWI for research visit with Jürgen Eichberger and Adam Dominiak, April 28 to May 4.

**Editorial deadline for issue 10/2011 of the newsletter:
Wednesday, May 11, 2011, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact the address above