



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

Monday, 25.6.12

17.15-18.45

AWI 00.010

Departmental Seminar

Andreas Glöckner,
MPI for Research on Collective Goods, Bonn

"Modeling and Manipulating Risky Decision Making"

Tuesday, 26.6.12

14.15-15.15

AWI 02.036

Economics & Politics Seminar

Atilim Seymen, ZEW

"The Effects of Countercyclical Fiscal Policy: Firm-Level
Evidence from a Recent Natural Experiment in Turkey"

Wednesday, 27.6.12

17.15-18.45

AWI 00.010

Departmental Workshop

Christina Gathmann, University of Heidelberg

"Trial and Error? Policy Experimentation during the US
Welfare Reform"

Jour Fix

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

Andreas Glöckner

"Modeling and Manipulating Risky Decision Making"*

In a two-session experiment we (Glöckner & Pachur, 2012) examined the parameter stability in cumulative prospect theory (CPT), arguably the most widely used framework to model decisions under risk. Specifically, we examined the temporal stability of CPT's parameters; and how well versions of CPT with different numbers of adjustable parameters predict individual choice. CPT was fitted to each participant's choices in two separate sessions, which were one week apart. All parameters were substantially correlated across time, in particular when using a simple implementation of CPT. CPT allowing for individual variability in parameter values predicted individual choice better than both an implementation with fixed parameters, expected utility / value models and various simple heuristics. In further studies using eye-tracking we find that simple serial implementations of CPT, however, do not account well for the underlying processes (Glöckner & Herbold, 2011; Fiedler & Glöckner, under review). In light of this evidence alternative process models relying on parallel constraint satisfaction, evidence accumulation, and simple serial heuristics are briefly discussed. Finally, I will report recent findings how the resulting improved knowledge of decision processes can be used to explain default effects and to manipulate risky choice behavior in general.

*with Falk & Altmann, in preparation

Economics & Politics Seminar

Atilim Seymen

"The Effects of Countercyclical Fiscal Policy: Firm-Level Evidence from a Recent Natural Experiment in Turkey"*

The paper investigates the effects of temporary consumption tax cuts by exploiting a unique natural experiment in Turkey during the recent global economic crisis using firm-level data: as part of its fiscal response package, Turkey temporarily lowered consumption taxes on selected durables. By using data on the change of sales of firms that benefited from this measure and of those that did not over different periods, we are able to implement a difference-in-difference analysis where we also control for a range of unobservable effects. We find positive and robust effects of consumption tax cuts on the change of firm sales which is consistent with the predictions of theory and thereby provide new evidence on the effects of a specific countercyclical fiscal measure.

*with Florian Mischa

Departmental Workshop

Christina Gathmann

"Trial and Error? Policy Experimentation during the US Welfare Reform"

Successful policy innovations often start out as experiments and many policy reforms are first tested locally before they are implemented nationally. Yet, we know little whether the political process facilitates or impedes policy innovation; and whether political decision-makers reverse policies that turn out to be inefficient. In this paper, we analyze whether reelection concerns facilitate or hinder experimentation and learning during the US Welfare Reform. The 1996 reform marked the most dramatic shift in welfare policy since the New Deal and gave individual states the autonomy to implement their own welfare policies. Our results suggest that reputational effects induced by reelection concerns of the governor matter both for policy experimentation and policy reversal.

Talks and Research Visits

Alec Sproten presented the paper "Age differences in uncertainty processing: an fMRI experiment" (joint work with Gil S. Sharvit, Carsten Diener, Christian J. Fiebach and Christiane Schwieren) at the 2012 NeuroPsychoEconomics Conference, Rotterdam, June 14-15.

Andrea Leuermann presented her paper "Does good advice come cheap? - On the assessment of risk preferences in the lab and the field", (joint with Benjamin Roth) at the "Mini conference on Risk and Social Preferences" in Maastricht, June 14.

Hans Diefenbacher gave a talk on "Wie sich Wohlstand wirklich messen lässt" (joint with Dorothee Rodenhäuser), during the *Woche der Umwelt*, Bundespräsidialamt, Berlin, June 8.

New Publications

Axel Dreher, Stephan Klasen, James Raymond Vreeland, Eric Werker: *The costs of favoritism: Is politically-driven aid less effective?*, Economic Development and Cultural Change, forthcoming.

Hans Diefenbacher, with Bernd Meyer, Roland Zieschank und Gerd Ahlert: Synopse aktuell diskutierter Wohlfahrtsansätze und grüner Wachstumskonzepte [FFU-Report 03-2012]. Berlin: Freie Universität, Forschungszentrum für Umweltpolitik. URL: http://edocs.fuberlin.de/docs/servlets/MCRFileNodeServlet/FUDOCSS_derivate_00000001938/Wohlfahrtskonzepte_Synopse_FFU-Report_2012_final.pdf

**Editorial deadline for issue 16/2012 of the newsletter:
Wednesday, June 27, 2012, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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