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AWI This Week

Monday, 23.7.12

Departmental Seminar

17.15-18.45

AWI 00.010

Jakob de Haan, University of Groningen

"Using Real-Time Data to Test for Political Budget Cycles"

Wednesday, 25.7.12

Departmental Workshop

17.15-18.45

AWI 00.010

Thomas Eife, University of Heidelberg

"Bertrand Competition in an Inflationary Environment"

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

Jakob de Haan

"Using Real-Time Data to Test for Political Budget Cycles"*

We use real-time annual data on the fiscal balance, government current spending, current revenues and net capital outlays as published at a half yearly frequency in the OECD Economic Outlook for 25 OECD countries. For each fiscal year t we have a number of forecasts, a first release, and subsequent revisions. It turns out that revisions in the fiscal balance data are not affected by elections. However, we do find that governments spend more than reported before an election which provides support for moral hazard type of political budget cycle (PBC) models: through hidden efforts the incumbent tries to enhance his perceived competence. We find also that governments had higher current receipts than reported before an election, which is in line with adverse-selection type of PBC models in which incumbents signal competence through expansionary fiscal policy before the elections.

*with Richard Jong-A-Pin and Jan-Egbert Sturm

Departmental Workshop

Thomas Eife

"Bertrand Competition in an Inflationary Environment"*

In a market with imperfect price competition, firms can profit from coordinating to play a price above the Nash equilibrium. Even in the absence of enforceable contracts and without explicit communication, coordination is found in lab experiments. We study whether inflation makes it harder for firms to collude. While in a non-inflationary environment, deviation attempts are easy to spot, inflation requires a consistent adjustment of prices to keep collusion profitable. Such adjustments may be confused with deviation by the other firm and lead to a breakdown of collusion. In an experimental Bertrand Duopoly, we test the hypothesis that inflation leads to less collusion.

*with Peter Dürsch

Talks and Research Visits

The following papers will be presented at the 4th World Congress of the Game Theory Society, Istanbul, July 21-26. **Bram Driesen**: "The Asymmetric Leximin Solution"; **Andrea Leuermann**: "Reputational Herding in Financial Markets: A Laboratory Experiment" (joint with Andreas Roider); **Jörg Oechssler**: "How Do People Cope with an Ambiguous Situation When it Becomes Even More Ambiguous?" (joint with Jürgen Eichberger and Wendelin Schnedler).

Christina Gathmann will present her paper "Trial and Error? Policy Experimentation during the US Welfare Reform" at the 21st Workshop on Political Economy, Silvaplana, July 21-25, 2012.

Thomas Eife presented the paper "On the Long-Run Effect of a Currency Changeover on Prices: The Case of Restaurants" at the ZEW, Mannheim, July 19.

Daniel Römer presented the paper "On the obligation to provide environmental information in the 21st century – empirical evidence from Germany" (joint with Philipp Massier) at the Annual Meeting of the European Association of Environmental and Resource Economists, Prague, June 27-30.

Stefan Behringer presented the paper "Equilibrium Market and Pricing Structures in Virtual Platform Duopoly: Coexistence on Competing Online Auction Sites revisited" at CRESSE, Chania, Greece, July 6-8 and at the ICT, ZEW Mannheim, June 28-29.

Christina Gathmann presented her paper "Are there Benefits of Citizenship? Evidence from Germany's New Immigration Policy" at the LMU Workshop "Natural and Controlled Field Studies" at the BVS Holzhausen/Ammersee, June 22-24, 2012.

Johannes Lohse presented the paper "What can we learn from public good games about climate changemitigation: Evidence from an artefactual field experiment" (joint with Timo Goeschl, Sara Elisa Kettner und Christiane Schwieren) at the ESA Conference in New York June 21-24.

Daniel Römer presented the paper "Moral Emotions and Opportunistic Behavior: A Subliminal Priming Approach" (joint with Brigitte Eisenkolb, Andrew Isaak and Johannes Jarke) at the 2012 International ESA Conference, New York University, June 21-24.

Krishna Chaitanya Vadlamannati presented his paper "The Needy Donor: An Empirical Analysis of India's Aid Motives" at 2012 Nordic Conference in Development Economics, Gothenberg, Sweden, June 18-19.

Stefan Behringer presented the papers "Direct Provision of a Public Good with Many Agents" and "Optimal Harvesting of a Spatial Renewable Resource" (joint with Thorsten Upmann) at the 11th Louis-Andre Gerard-Varet Conference, Marseille, June 18-19.

New Publications

Christiane Schwieren's paper: *The Gender wage Gap in experimental Labor Markets* has been accepted for publication in *Economics letters*, forthcoming.

Miscellaneous

Johannes Diederich will be on a parental leave from July 6, to November 5, 2012.

There will be no newsletter until the start of winter term 2012/13

**Editorial deadline for issue 20/2012 of the newsletter:
Wednesday, October 10, 2012, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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