



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, 26.11.12

Departmental Seminar

17.15-18.45

AWI 00.010

Andreas Ortmann, University of New South Wales

"Understanding Social Impact Bonds:
An Experimental Investigation"

Tuesday, 27.11.12

Economics & Politics Seminar

14.15-15.15

AWI 02.036

Harounan Kazianga, Oklahoma State University

"School Feeding Programs, Intrahousehold Allocation
and the Nutrition of Siblings: Evidence from a
Randomized Trial in Rural Burkina Faso"

Wednesday, 28.11.12

Departmental Workshop

17.15-18.15

AWI 00.010

Christoph Vanberg, University of Heidelberg

"Multilateral bargaining in continuous time:
An experiment"

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 Ortmann

"Understanding Social Impact Bonds: An Experimental Investigation"*

Policy-makers world-wide have proposed a new contract – the "social impact bond" (SIB) – which they claim can allay the underperformance and underfunding afflicting not-for-profit sectors, by tying the private returns of (social) investors to the success of social programs (Bolton 2010; Bolton & Savell 2010; Mulgan et al. 2010a,b; Liebman 2011; Tierney & Fleishman 2011; Von Glahn & Whistler 2011). Given the high hopes various governments (in England, Australia, and New York, for example) have pinned on this contract format, and the considerable amount of money that is currently poured into this emerging market, we test this new contract by way of experimental methods. We report an experimental investigation of how SIBs perform in a first-best world, where investors are rational and able to obtain hard information about not-for-profits' performance. To this end, we use a principal agent multi-tasking framework to compare SIBs to inputs-based (IBs) and performance-based (PBs) contracts, which arguably represent the most commonly used contracts between governments and not-for-profits. IBs contain a piece-rate mechanism, PBs contain a non-binding bonus mechanism, and SIBs contain a mechanism that, due to the presence of an investor, offers full enforceability. Although SIBs can perfectly enforce good behavior, they also require the principal (i.e. government) to relinquish control over the agent's (i.e. not-for-profit's) payoff to a self-regarding investor, which prevents the principal and agent from being reciprocal. In spite of these drawbacks, in our experiment SIBs outperformed IBs and PBs. We therefore conclude that, at least in our laboratory test-bed, SIBs can allay the underperformance problem in a first-best world.

*with Jade Wong and Alberto Motta

Economics & Politics Seminar

Harounan Kazianga

"School Feeding Programs, Intrahousehold Allocation and the Nutrition of Siblings: Evidence from a Randomized Trial in Rural Burkina Faso"*

We evaluate the impact of two school feeding schemes on health outcomes of pre-school age children in Burkina Faso: school meals which provide students with lunch each school day, and dry rations which provide girls with 10 kg of cereal flour each month, conditional on 90 percent attendance rate. We investigated the pass through to younger siblings of the beneficiaries and found that dry rations have increased weight-for-age of boys and girls under age 5 by 0.54 standard deviations compared to a control group. In the same age range, school meals increased weight-for-age by 0.28 standard deviation for boys, but did not have any significant effect on girls. We provide evidence indicating that most of the gains are realized through intra-household food reallocation.

*with Damien de Walque and Harold Alderman

Departmental Workshop

Christoph Vanberg

"Multilateral bargaining in continuous time: An experiment"*

We conduct an experiment on repeated multilateral (majoritarian) bargaining in continuous time. Unlike previous bargaining experiments, our design imposes little structure on the bargaining process, other than the use of majority rule. Subjects may make proposals and / or agree to others' proposals at any time. Payoffs are realized once per second. We argue that experimental designs need not (and perhaps should not) mirror formal theoretical models in order to test hypotheses or to act as a guide to future modeling efforts. Thus, we regard our setup as an appropriate testing ground for both cooperative and non-cooperative theories of multilateral bargaining, even if such theories impose both less and more structure on the bargaining process than we do. Consistent with the formal theory most closely related to our setting (Kalandrakis 2004) and with previous experimental work that more faithfully implements that game (Battaglini and Palfrey 2012), we find relatively little overall stability and observe interesting dynamics as coalitions are formed and reformed over the course of our game. Our results lend support to other cooperative and non-cooperative concepts. The universal allocation predicted by the Shapley Value is the most stable in our experiments. The second most stable outcome is the equal split within a minimum winning coalition, as predicted by Morelli's demand bargaining model.

* with James Tremewan

Talks and Research Visits

Axel Dreher takes part as a co-organizer at *Measuring Globalization: An International Workshop*, Maastricht University, Maastricht, Netherlands, November 22-23.

Malte Faber and Thomas Petersen gave a lecture on "Endangering the foundations of the natural living conditions is unjust" at the Environmental School of Tsinghua University in Beijing, November 13.

Miscellaneous

Malte Faber and Thomas Petersen gave on their consulting mission for the *Gesellschaft für internationale Zusammenarbeit (GIZ)* in the Party School in Nanchang, capital of the province Jiangxi, China, six workshops on the following topics: I. Conceptual foundations of environmental policy with case studies on the waste and water legislation in Federal republic of Germany, Europe and the USA, II. Governance and participation, and III. Sustainability, growth and justice from November 6-9.

**Editorial deadline for issue 27/2012 of the newsletter:
Wednesday, November 28, 2012, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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