



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, 7.1.13

Departmental Seminar

17.15-18.45

Peter Egger, ETHZ

AWI 00.010

"The Causal Impact of Common Native Language
On International Trade: Evidence from a Spatial
Regression Discontinuity Design"

Wednesday, 9.1.13

Departmental Workshop

17.15-18.45

Johannes Diederich, University of Heidelberg

AWI 00.010

"Group size and the provision of public goods:
An experiment with a large German subject pool"

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

Peter Egger

"The Causal Impact of Common Native Language on International Trade: Evidence from a Spatial Regression Discontinuity Design"

This paper studies the causal effect of sharing a common native language on international trade. Switzerland is a multilingual country that hosts four different language groups of which three are major (French, German, and Italian). These groups of native language speakers are geographically separated, with the corresponding regions bordering countries which share a majority of speakers with the same native language. All of the three languages are understood if not spoken by most Swiss citizens. This unique setting allows for an assessment of the impact of common native (rather than spoken) language on trade from within country-pairs. We do so by exploiting the discontinuity in various international bilateral trade outcomes based on Swiss transaction-level data at historical language borders within Switzerland. The effect on various margins of imports is positive and significant. The results suggest that, on average, native language similarity between regions biases the regional structure of the value of international imports towards them by 13 percentage points and that of the number of import transactions by about 17 percentage points. This effect is considerably lower than the naive estimate (using aggregate bilateral trade and no regression discontinuity design) of common native language on Swiss international imports in the same sample, and it is also lower than the effect of common (spoken or native) language on international trade found in traditional gravity regressions. Since the naive common native language coefficient is quantitatively well in line with the common (spoken or native) language coefficient in many gravity studies, we conclude that traditional language estimates likely pick up the effect of omitted confounding economic and institutional factors.

Departmental Workshop

Johannes Diederich

"Group size and the provision of public goods: An experiment with a large German subject pool"*

There is an ample literature on public good games (PGG), although very few have been conducted using groups of more than 10 subjects. This is rather surprising since in reality most public goods are provided within a large population (e.g., health system, national defense, public television, climate change negotiations, etc.). In fact only one study by Isaac, Walker and Williams (1994) has tested the group size hypothesis with large groups (40 and 100 subjects). In light of the huge PGG literature it seems particularly weird why the group size effect has not been tested again. The reason is that for running large PGG experiments the experimenters must overcome two major methodological challenges: one with respect to the physical constraint (laboratories have typically less than 100 seats...), the other with respect to the stakes (payoffs from the public good could be astonishingly high when groups are very large). We base our design on Isaac, Walker and Williams (1994) but suggest methodological improvements for both challenges. In particular, we conduct an online

experiment administered to groups of 10, 40, and 100 subjects drawn from the general German population. We find a significantly positive effect of group size on average contributions to the public good.

* with Timo Goeschl and Israel Waichman

New Publications

Hans Diefenbacher: "Zehn Thesen zu einer Forschungsagenda für nachhaltige Entwicklung", in: Enders, Judith/Remig, Moritz (Hrsg.): Perspektiven nachhaltiger Entwicklung – Theorien am Scheideweg. Marburg: Metropolis-Verlag 2012, 241-252.

Hans Diefenbacher: "Der Inclusive Wealth Index – ein neues Maß für nachhaltige Entwicklung?" in: Ökologisches Wirtschaften, Heft 4/2012, 23-25.

**Editorial deadline for issue 2/2013 of the newsletter:
Wednesday, January 9, 2013, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact the address above.