



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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AWI This Week

Monday, 15.7.13

Departmental Seminar I

17.15-18.45

Thomas Jeitschko, Michigan State University

AWI 00.010

"Shipping The Good Apples Out Under Asymmetric Information: When Weak Institutions Lead to Welfare-Diminishing Trade"

Wednesday, 17.7.13

Departmental Seminar II

17.15-18.45

Sanjeev Goyal, University of Cambridge

AWI 00.010

"Trading in Networks: Theory and Experiment"

Departmental Seminar

Thomas Jeitschko

"Shipping The Good Apples Out Under Asymmetric Information: When Weak Institutions Lead to Welfare-Diminishing Trade"*

Institutions have gathered considerable interest as to their effects on international trade and growth. We model how weak institutions can reduce the returns to high quality products, thereby creating inefficiency, and we explore whether the ability to export to markets with strong institutions can alleviate this inefficiency. We find that access to developed markets can exacerbate the problems caused by weak institutions and harm home welfare further, because the exporting decisions are based on home prices that do not accurately capture the value of high quality to the home market. Among other results, first, there is always an export price at which the country is better off if exporting were prevented. Second, any harm is increasing in the amount exported. Third, if some high quality remains on the home market, then home welfare can always be increased by restricting exports. Fourth, the opening of trade can reduce producer surplus and so in the long run lead to a reduction in the production of the export good. Fifth, welfare can decrease even if production of the exported good increases.

* with Anthony Creane

Departmental Seminar II

Sanjeev Goyal

"Trading in Networks: Theory and Experiment" *

Intermediation is a prominent feature of economic production and exchange. Two features of intermediation are salient: coordination among traders between the "source" and the "destination" and competition between alternative combinations of intermediaries. We develop a simple model to study these forces and we test the theoretical predictions in experiments. Our theoretical analysis yields a complete characterization of pricing equilibrium in networks. There exist both efficient and inefficient equilibria, suggesting a key role of coordination among intermediaries. Strategic interaction leads to either buyer and seller retaining all surplus or intermediaries extracting all surplus. We develop conditions on network structure under which these different extremal outcomes arise, respectively. Laboratory experiments show that efficiency prevails in almost all cases: so traders are successful in coordination. Subjects coordinate on extreme surplus division. Finally, experiments highlight the role of network structure in determining pricing and the division of surplus among intermediaries.

* with Syngjoo Choi and Andrea Galeotti

Talks and Research Visits

Jörg Oechssler gave a talk on "A Test of Mechanical Ambiguity" at the Economics Seminar of the University of Bielefeld, July 2.

Visitors

Ani Guerdjikova, Université de Cergy-Pontoise, was staying for a research visit at the chair of Jürgen Eichberger, July 5-6.

New and Leaving Staff

Andreas Fuchs has returned to the AWI. During the 2012-2013 academic year, he was a postdoctoral research fellow at Princeton University's Niehaus Center for Globalization and Governance. He now works for the Research Center for Distributional Conflict and Globalisation (FVG). His office is AWI 00.023a.



Miscellaneous

Research Grants

The Fritz Thyssen Stiftung will fund the research project "Determinanten und Modellierung von Inflationsunsicherheit vor dem Hintergrund der Finanz- und Schuldenkrise" by Christian Conrad, Matthias Hartmann and Helmut Herwartz (Universität Göttingen).

**Editorial deadline for issue 20/2013 of the newsletter:
Wednesday, July 17, 2013, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact the address above.