AWI This Week

Monday, 11.11.13   **Departmental Seminar**

17.15-18.45   Thomas Tröger, University of Mannheim

AWI 00.010   "Transparency and Opaqueness:
                            The Optimal Design of Signals"

Tuesday, 12.11.13   **Economics & Politics Seminar**

14.15-15.15   Selim Gulesci, Bocconi University and IGIER

AWI 02.036   "For the Love of the Republic' Education, Secularism
                            and Empowerment"

Wednesday, 13.11.13   **Internal Seminar**

12.15-13.15   Marta Curto, University of Heidelberg

AWI 00.010   "Electoral rewards to patronage politics:
                            Evidence from rural unemployment subsidies in Spain"

Departmental Seminar

Thomas Tröger

"Transparency and Opaqueness: The Optimal Design of Signals"*

We propose a unified framework that connects signalling theory to the mechanism design approach and provide various applications. Many economic and political mechanisms and institutions are designed by parties who hold relevant private information that may be signalled through the mechanism. The designer may have incentives to conceal her information at the moment of proposing a mechanism, while keeping the discretion to participate in the mechanism herself. For example, sales contracts are sometimes opaque concerning what exactly is sold or at what price, and labor contracts typically do not specify wage or career paths in advance. Similar discretionary elements may be found in many regulation schemes. Earlier approaches by Maskin-Tirole and Myerson have assumed that arbitrary mechanisms can be used as signals, with no design restriction at all. On the other hand, classical signaling games (like Spence's) take a (typically low-dimensional) set of signals as exogenously given while the possible design of signals is ignored. As a unifying property that bridges the gap between these two extremes, we propose that any finite collection of signals may be composed into a new signal. Our approach yields existence and characterization results that open the door to a broad range of applications.

* with T. Mylovanov

Economics & Politics Seminar

Selim Gulesci

"For the Love of the Republic' Education, Secularism and Empowerment"*

We exploit a change in compulsory schooling laws in Turkey to estimate the causal effects of education on religiosity and women's socio-economic status. A new law, implemented in 1998 bound individuals born after a specific date to 8 years of schooling while those born earlier could drop out after 5 years. This allows the implementation of a Regression Discontinuity (RD) Design and the estimation of meaningful causal estimates of schooling. Using the 2008 Turkish Demographic Health Survey, we show that the reform resulted in a one-year increase in years of schooling among women on average, although it did not increase schooling among men. Over a period of ten years, this education increase resulted in women having lower religiosity, greater decision rights over marriage and fertility, and higher household wealth. We find that a muted average RD effect on labor force participation shrouds heterogenous effects depending on socioeconomic background; women from more socially conservative backgrounds tend to observe no increase in labor force participation whereas women from less conservative backgrounds experience a large increase. Education thus empowers women across a wide spectrum of a Muslim society, yet faces limits in allowing women in the conservative communities from realizing their full potential through the labor market.

*with Erik Meyersson

Internal Seminar

Marta Curto Grau

"Electoral rewards to patronage politics: Evidence from rural unemployment subsidies in Spain"

This study examines the effects of a public employment program -the Spanish Plan for Rural Employment, PER- on the electoral support for the incumbent governments executing the policy. The allocation of PER jobs at the mayors' discretion goes hand in hand with the provision of a special unemployment benefit that contributes to the program's susceptibility to political patronage. Using a difference-in-differences design, we show that the introduction of the PER increased the support for the central government incumbent in the municipalities affected by the program. This effect remains significant throughout the whole period under study despite the strengthening of democracy and the setting of limits to patronage hiring. Further, we provide evidence indicating that only certain type of mayors reap some electoral advantage from delivering jobs.

New Publications

Jörg Oechssler and Alex Roomets: *Unintended Hedging in Ambiguity Experiments*, forthcoming, *Economic Letter*

Miscellaneous

The article of Axel Dreher and Alexandra Rudolph: *Prostitution and Human Trafficking: The Middle Road of Regulation*, was published in *Fair Observer*, September 4, 2013.