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AWI This Week

Monday, 18.11.13

Departmental Seminar

17.15-18.45

AWI 00.010

Martin Gassebner, ETH Zurich

"How (not) to manipulate a shared risk of war.
A model of fighter jet diplomacy with an application
to Greece and Turkey"

Tuesday, 19.11.13

Economics & Politics Seminar

14.15-15.15

AWI 02.036

Zohal Hessami, University of Konstanz

"Electoral Rules for Mayors and Incentives to Pork-Barrel:
Quasi-Experimental Evidence from German Municipalities"

Wednesday, 20.11.13

Internal Seminar

12.15-13.15

AWI 00.010

Jonas Dovern, University of Heidelberg

"International Transmission and Business-Cycle Effects
of Financial Stress Shocks"

Departmental Seminar

Martin Gassebner

"How (not) to manipulate a shared risk of war. A model of fighter jet diplomacy with an application to Greece and Turkey"

Our article is concerned with interceptions of military aircraft as the continuation of diplomacy by other means amid a territorial dispute. More specifically, we examine whether there is systematic evidence that Greece and Turkey strategically employ their air forces to manipulate a shared risk of war. In order to derive testable hypotheses, we construct a game-theoretic model which interprets state actions like violations of national airspace or interceptions of enemy fighter jets as signals of the willingness to take military risks, aimed at asserting the intransigence of territorial ambitions. We then take the model's predictions regarding the incentives to engage in fighter-jet diplomacy to the data. In order to do so, we construct a database containing daily observations of conflict events from the official reports of the Hellenic National Defence General Staff. Although the results are still preliminary, we find that engagements of fighter jets are systematically and negatively correlated with different measures of the ability to commit resources for national defence in the case of Greece.

Economics & Politics Seminar

Zohal Hessami

"Electoral Rules for Mayors and Incentives to Pork-Barrel: Quasi-Experimental Evidence from German Municipalities"

This paper exploits a natural experiment in Hesse where a reform of the electoral rule from mayor appointment by the local council towards direct mayor elections was introduced during a phase-in period from 1993 to 1998. The end of the term of the last appointed mayor varies across municipalities for exogenous historical reasons and determines the timing of the switch in a particular municipality. Difference-in-difference estimations for 421 municipalities over the period from 1981 to 2010 reveal that municipalities with a directly elected mayor attract 5% more investment transfers from the state tier. This effect only materializes in the election year which suggests that mayors under the new electoral rule put more effort into grant applications for highly visible infrastructure projects in order to increase their re-election probability.

Internal Seminar

Jonas Dovern

"International Transmission and Business-Cycle Effects of Financial Stress Shocks"*

We analyze the international transmission of financial stress and its effects on global economic activity. Our analysis is based on country-specific monthly financial stress indexes (FSIs) over the sample period 1970--2012 for 20 major economies. First, we show that co-movement between the FSIs increases during major financial crises and towards the end of our sample. Second, we show that financial stress spillovers to an economy increases with its level of economic openness. Third, we show —using a global VAR (GVAR) model— that i) a financial stress shock in the US is quickly transmitted internationally, ii) financial stress shocks have lagged but persistent negative effect on economic activity, and iii) that a negative US demand shock induces only limited financial stress on a global scale. Finally, we show that spillovers of financial stress run mainly from advanced economies to emerging economies and not in the opposite direction.

*Björn van Roye

Talks and Research Visits

Christine Binzel presented her paper "Does the Arrival of a Formal Financial Institution Alter Informal Sharing Arrangements? Experimental Evidence from Village India" (joint with Erica Field and Rohini Pande) at Hannover University, November 13, and at the Empirical Economics and Econometrics Research Seminar, Innsbruck University, November 6.

Zeno Enders presented the paper "Growth expectations, undue optimism, and short-run fluctuations" at the International Monetary Fund in Washington, D.C., October 29, and at the joint Latin American Meeting of the Econometrics Society and annual meeting of the Latin American and Caribbean Economics Association in Mexico, D.F., November 2.

Axel Dreher and **Christoph Vanberg** took part at the Liberty Fund Workshop: "Liberty and Responsibility in Polycentric Circles: The Ostrom Legacy", Frankfurt, November 7-10.

Miscellaneous

Christine Binzel has been appointed a Faculty Fellow of the Association for Analytic Learning about Islam and Muslim Societies (AALIMS).

**Editorial deadline for issue 27/2013 of the newsletter:
Wednesday, November 20, 2013, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact the address above.