



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

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## AWI This Week

### **Monday, 9.12.13**

#### **Departmental Seminar**

17.15-18.45

Philipp Harms, University of Mainz

AWI 00.010

"Offshoring and Sequential Production Chains:  
A General Equilibrium Analysis"

### **Wednesday, 11.12.13**

#### **Internal Seminar**

12.15-13.15

Vera Eichenauer, University of Heidelberg

AWI 00.010

"The Politics of Special Purpose Trust Funds"

### **Thursday, 12.12.13**

#### **Die Eurokrise: Ursachen. Lösungsstrategien. Folgen**

18.30-20.00

Dr. Sebastian Krapohl, Universität Bamberg

Campus Bergheim  
Hörsaal

"(Wann) Führen Krisen zu mehr regionaler Integration? Die EU  
im Vergleich mit anderen Projekten regionaler Integration."

### Departmental Seminar

Philipp Harms

"Offshoring and Sequential Production Chains: A General-Equilibrium Analysis "\*\*

In this paper, we develop a two-sector general equilibrium trade model which includes offshoring, sequential production and endogenous market structures. We analyze how relative factor endowments and various forms of globalization and technological change affect equilibrium offshoring patterns. We show that, against common belief, a reduction in trade costs lowers the range of tasks offshored even though the aggregate volume of offshoring may increase.

\*joint with Jaewon Jung and Oliver Lorz

### Internal Seminar

Vera Eichenauer "

"The Politics of Special Purpose Trust Funds"\*

Governments increasingly provide earmarked voluntary contributions to multilateral organization to finance their priorities. This so-called multi-bi aid exhibits characteristics of bilateral aid and of multilateral aid which is pooled by and disbursed at the discretion of the multilateral organization. A question arising from these recent developments of donor practice is: when do governments choose to delegate the distribution of foreign aid to Special Purpose Trust Funds under the auspices of multilateral institutions instead of providing bilateral or multilateral aid? To make a foray in understanding these decisions by donors we propose a game-theoretical model in which a multilateral organization proposes to his multiple principals (i.e., the donor governments) to limit its discretion in fund allocation. Upon approval, the multilateral agent decides to learn about the effectiveness of its projects. Donors with heterogeneous preferences over project outputs give their assessed contributions to the core account. Conditional on the agent's discretion, each donor chooses his preferred channel of aid provision. We find that donors with non-centrist preferences may provide aid bilaterally, through special purpose trust funds financing one project only or as voluntary core contributions to a multilateral institution. Meanwhile, a donor with centrist preferences allocates his aid budget either to the core fund or undertakes bilateral aid activities but she never contributes to a special purpose trust fund. In an important subset of situations, full discretion is accorded to the multilateral agent. However, as domestic benefits rise simultaneously for all donors, the agent will ask for less than full discretion. With further increases in domestic payoffs, donors undertake their own bilateral aid activities, no matter what the agent proposes.

\*with Simon Hug

## **Talks and Research Visits**

**Marta Curto** presented the paper "Electoral rewards to patronage politics: Evidence from rural unemployment subsidies in Spain" in the 7th Workshop on Political Economy organised by the CESifo in Dresden, November 29-30.

**Editorial deadline for issue 30/2013 of the newsletter:  
Wednesday, December 11, 2013, 12 o'clock  
[newsletter@awi.uni-heidelberg.de](mailto:newsletter@awi.uni-heidelberg.de)**

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please contact the address above.