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## AWI This Week

### **Monday, 21.7.14**

#### **Departmental Seminar**

17.15-18.45

AWI 00.010

Eckhard Janeba, Mannheim University, CESifo and ZEW

"Fiscal Rules and Compliance Expectations -  
Evidence for the German Debt Brake"

### **Tuesday, 22.7.14**

#### **Economics & Politics Seminar**

14.15-15.45

AWI 02.036

Jochen Kluve, Humboldt University Berlin

"Social Norms and Mothers' Labor Market Attachment:  
The Medium-run Effects of Parental Benefits"

### **Wednesday, 23.7.14**

#### **Internal Seminar**

12.15-13.15

AWI 00.010

Christiane Schwieren, Heidelberg University

"Stress and decision making"

### Departmental Seminar

Eckhard Janeba

"Fiscal Rules and Compliance Expectations - Evidence for the German Debt Brake"\*

Fiscal rules have become popular to limit deficits and high debt burdens in industrialized countries. A growing literature examines their impact based on aggregate fiscal performance. So far, no evidence exists on how fiscal rules influence deficit expectations of fiscal policy makers. In the context of the German debt brake, we study this expectation dimension. In a first step, we introduce a simple dynamic model in an environment characterized by the lagged implementation of a new rule. Lagged implementation characterizes the setup of the German debt brake and raises credibility issues. In a second step, we analyze a unique survey of members of all 16 German state parliaments and show that the debt brake's credibility is far from perfect. The heterogeneity of compliance expectations in the survey closely corresponds to our theoretical predictions regarding states' initial fiscal conditions, specific state fiscal rules and bailout perceptions. In addition, there is a robust asymmetry in compliance expectations between insiders and outsiders (both for in-state vs out-of-state politicians and the government vs opposition dimension), which we attribute to overconfidence rather than noisy information. These results suggest that national fiscal rules can be strengthened through nobailout rules, sustainable initial fiscal conditions and complementary sub-national rules.

\*with Friedrich Heinemann, Christoph Schröder and Frank Streif

### Economics & Politics Seminar

Jochen Kluve

"Social Norms and Mothers' Labor Market Attachment: The Medium-run Effects of Parental Benefits"\*

Increasing mothers' labor supply is a key policy challenge in many OECD countries. Germany recently introduced a generous parental benefit that allows for strong consumption smoothing after childbirth and, by taking into account opportunity costs of childbearing, incentivizes working women to become mothers and return to the labor force rapidly. Using a sharp regression discontinuity design, we estimate policy impacts for up to 5 years after childbirth and find significant and striking patterns. First, medium-run effects on mothers' employment probability are positive, significant and large, for some subgroups ranging up to 10 per cent. The effects are driven by gains in part-time but not full-time employment. We also find significant increases in working hours. Second, the probability of job continuity rises significantly, i.e. mothers return to their pre-childbirth employer at higher rates. Third, employers reward this return to work by raising job quality significantly and substantially. We argue that the policy generated a profound change in social norms: the new parental benefit defines an "anchor", i.e. a societally preferred point in time at which mothers return to work after childbirth.

\*with Sebastian Schmitz

## Talks and Research Visits

**Jürgen Eichberger** gave a talk about "Ambiguity in games" and "Optimism and pessimism in games", invited as a keynote speaker to the second annual summer school on the theme of *Decision Making under Uncertainty*. The event was organized by the Behavioral Sciences Group in Warwick Business School, July 8-11.

**Jonas Hedlund** presented his paper "Persuasion with Communication Costs" at the *Spain-Italy-Netherlands Meeting on Game Theory*, Krakow, Poland, July 7.

**Zeno Enders** presented the paper "Growth expectations, undue optimism, and short-run fluctuations" at the joint lunch time seminar of the ECB, Bundesbank, and Goethe University at Frankfurt, July 16.

**Peter Duersch** gave a talk on "When Imitation and Tit-for-tat are unbeatable" (joint with Jörg Oechssler & Burkhard Schipper) at the *16th international symposium on dynamic games and applications*, Amsterdam, July 9-12.

**Jonas Dovern** presented the paper "Does Joint Modeling of the World Economy Pay Off? Evaluating Forecasts from a GVAR from a Multivariate Perspective" at the 34<sup>th</sup> International Symposium on Forecasting in Rotterdam, June 30- July 2.

**Christiane Schwieren** presented her papers "Reaching agreement on trusting behavior - evidence on cultural differences from a public goods game with representatives" (joint work with Yoshio Iida and Andrew Isaak) and "An Investigation of the Effects of Chronic Stress on Social preferences" (joint work with Smarandita Ceccato and Brigitte Kudielka) at the *28th international Congress of Applied Psychology* in Paris, July 8-13.

**Smarandita Ceccato** presented her paper "Chronic Stress promotes risk loving behaviour in young adults" (joint work with Sara Kettner, Christiane Schwieren and Brigitte Kudielka) at the 28th international Congress of Applied Psychology in Paris, July 8-13.

## Miscellaneous

Andreas Fuchs, Katharina Richert (both AWI) and Jivanta Schöttli (Max-Weber-Institute) organize an interdisciplinary Workshop on "South-South Development Cooperation: Chances and Challenges for the International Aid Architecture". The workshop will be hosted by the Research Center for Distributional Conflict and Globalization at Heidelberg University on September 26-27, 2014. The workshop will bring together economists, political scientists, sociologists, geographers and other researchers, giving them a forum to present their research on South-South Development Cooperation. Details are available at [https://imperia-dev.uni-heidelberg.de/fakultaeten/wiso/exzellenzinitiative/workshop\\_south-south\\_development-cooperation.html](https://imperia-dev.uni-heidelberg.de/fakultaeten/wiso/exzellenzinitiative/workshop_south-south_development-cooperation.html)

***A pleasant semester break to everyone!  
There will be no newsletter before winter term 2014/15***

**Editorial deadline for issue 21/2014 of the newsletter:  
Wednesday, October 8, 2014, 12 o'clock  
[newsletter@awi.uni-heidelberg.de](mailto:newsletter@awi.uni-heidelberg.de)**

If you would like to receive the newsletter by email,  
please contact the address above.