



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

AWI This Week

Monday, 13.10.14

Departmental Seminar

17.15-18.45

AWI 00.010

Almuth Scholl, University of Konstanz

"Sovereign Debt Crises and Political Turnover"

Tuesday, 14.10.14

Economics & Politics Seminar

14.15-15.45

AWI 02.036

Magnus Hatlebakk, Chr. Michelsen Institute, Bergen

"Son-preference, number of children, education
and occupational choice in rural Nepal"

Departmental Seminar

Almuth Scholl, University of Konstanz

"Sovereign Debt Crises and Political Turnover"

To study the dynamic interaction of sovereign default and political turnover and its impact on macroeconomic outcomes, this paper introduces endogenous electoral outcomes in a stochastic dynamic model of sovereign debt. We consider a small open economy in which a public good is financed through taxes and external debt. Risk-neutral international lenders provide credit, however, debt contracts are not enforceable. The small open economy is inhabited by heterogeneous individuals belonging to two groups that disagree about the size of public spending. There is a two-party system in which each party cares about the welfare of one of the groups. Individual voting behavior is determined by a tradeoff between the economic benefits from the incumbent against stochastic idiosyncratic non-economic ideological aspects. The politico-economic equilibrium is characterized by endogenous credit costs that reflect sovereign default risk as well as endogenous re-election probabilities. The model is applied to the Argentine economy to quantify the impact of endogenous electoral uncertainty on sovereign default risk, interest rate spreads, and the volatility of the macroeconomic aggregates. Policy functions show that incumbents make strategic use of external debt and default to manipulate re-election probabilities. The quantitative results indicate that electoral uncertainty makes the economy more vulnerable to debt crises and increases macroeconomic volatility.

Economics & Politics Seminar

Magnus Hatlebakk

"Son-preference, number of children, education and occupational choice in rural Nepal"

A unique family survey was conducted in Nepal to investigate the economic consequences of having a first-born girl. Women get more children, but we find no causal effect of number of children on economic outcomes. But independently of the number of children there is a positive effect on boys' education of having a first born sister, who presumably takes care of household work so the boys can focus on school. This indicates a stronger son-preference in Nepal than what is found in studies from neighboring countries.

Talks and Research Visits

Jörg Oechssler is staying at the WZB, Berlin, for Research, October 1-31.

Zeno Enders presented the paper "Expansionary and Contractionary Technology Improvements" at the Seminar of the Macroeconomics and Growth group of the World Bank's Research Department, Washington, USA, September 30.

Andreas Fuchs presented the paper "Apples and Dragonfruits: The Determinants of Aid and Other Forms of State Financing from China to Africa" (joint work with Austin Strange, Brad Parks, Michael Tierney and Axel Dreher) at the Workshop "South-South Development Cooperation: Chances and Challenges for the International Aid Architecture", Heidelberg University, Germany, September 26-27.

Jörg Oechssler gave a talk on "Mechanical Ambiguity" at the BELSS-IGIER-DEC-ECO special seminar of the Bocconi University, Milan, September 16.

At the Annual Meeting of the *Verein für Socialpolitik*, September 7-10, 2014 the following AWI staff members and doctoral students presented their paper: **Melanie Arntz, Christina Gathmann, Alejandro Donado, Axel Dreher, Peter Dürsch, Thomas Eife, Zeno Enders, Kai Gehring, Alexander Glas, Matthias Hartmann, Nicolas Keller.**

Sara Elisa Kettner presented "Old Age and Prosocial Behavior: Social Preferences or Experimental Confounds?" (joint paper with Israel Waichman) at the ESA Europe, Prague, Czech Republic, 3-6 September.

Andreas Fuchs presented the paper "Tracking Under-Reported Financial Flows: China's Development Finance and the Aid-Conflict Nexus Revisited" (joint work with Austin Strange, Brad Parks, Michael Tierney and Axel Dreher) at the School of International Economics and Trade Weekly Forum, Central University of Finance and Economics, Beijing, China, September 3.

Jonas Dovern presented the paper „ A Multivariate Analysis of Forecast Disagreement: Confronting Models of Disagreement with SPF Data" at the 29th Annual Congress of the EEA in Toulouse, August 25-29.

Jonas Hedlund presented his paper "Persuasion with Communication Costs" at the 29th Annual Congress of the European Economic Association", Toulouse, July 28.

Zeno Enders visited the Macroeconomics and Growth group of the World Bank's Research Department, Washington, USA, from August 13 until October 3.

Alexandra Rudolph spent three months (July-October) at the Policy Working Group of the Indonesian National Team for the Acceleration of Poverty Reduction (TNP2K) in Jakarta doing research on the implementation and distribution of social protection programs in general and social pensions in particular.

New Working Papers

Jonas Dovern has published a new AWI Discussion Paper: "A Multivariate Analysis of Forecast Disagreement: Confronting Models of Disagreement with SPF Data" (no. 570)

Miscellaneous

Peter Dürsch to win Hengstberger Prize 2014

Together with his collaborators Daniel Holt (Psychology) and Christian Kirches (Mathematics), AWI member Peter Dürsch was awarded one of the three Klaus-Georg and Sigrid Hengstberger prizes in September 2014. The prize award of €12500 allows the recipients to organize an international scientific symposium in Heidelberg. Peter Dürsch and his interdisciplinary team will organize a symposium on (economic) decision making in dynamic environments. The symposium will take place in March 2015. More information about the workshop can be found [here](#).

Alexa Schönstedt-Maschke successfully defended her doctoral theses on "Die Wirkungen des dualen Ausbildungssystems auf die Erwerbssituation von Jugendlichen – Fallbeispiel SENATI/Peru", (doctoral adviser: Hartmut Sangmeister), July 28.

Malte Faber and Thomas Petersen: in the fazitblog (economic blog of the FAZ) with a discussion on Wolfgang Streeck`s *Gekaufte Zeit. Die vertagte Krise des Kapitalismus*, Suhrkamp, 2013, <http://blogs.faz.net/fazit/2014/07/28/kauft-der-kapitalismus-zeit-4370/>.

New and Leaving Staff

Salvador Camacho (room 00.012) is a doctoral student under joint supervision by Prof. Christiane Schwieren (Behavioral Economics) and Prof. Andreas Ruppel (Public Health). He has been working in the public health sector since 2007 and started his doctoral studies this October. Salvador has completed a Masters degree in Business Administration (MBA) in Mexico and a Masters in International Health at the University of Heidelberg in 2013. His main research field is the use of behavioral economics insights to enhance public policies aiming to tackle the obesity epidemic in Mexico.



Onno Kleen (room 00.023) started working in the department as a postgraduate on September 01, 2014 and has just finished a Master in Mathematics at the University of Heidelberg. Currently, he writes his master thesis at the Chair of Christian Conrad and teaches for the Working Group of International Economics. His research interests are in nonparametric statistics and macroeconomic forecasting.



Christian König (room 01.015) is a doctoral student at the Chair of Behavioral Finance & Contract Theory. He has been working as a research assistant since November 2012 and started his doctoral studies this October. Christian has recently completed his Master's degree in Economics at the University of Heidelberg and is interested in studying strategic uncertainty in the contexts of stress and finance.



**Editorial deadline for issue 22/2014 of the newsletter:
Wednesday, October 15 , 2014, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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