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AWI This Week

Monday, 3.11.14

Departmental Seminar

17.15-18.45

AWI 00.010

Christoph Trebesch, LMU

"Sovereign Defaults in Court"

Tuesday, 4.11.14

Economics & Politics Seminar

14.15-15.45

AWI 02.036

Martin Koppensteiner, University of Leicester

"The Effect of Income Shocks on the Incidence of
Domestic Violence: Evidence from Rural Tanzania"

Wednesday, 5.11.14

Internal Seminar

12.15-13.15

AWI 00.010

Alok Mishra, University of Hyderabad

"Does Vertical Financial Integration Boost Economic
Growth in India? An Empirical Analysis with Specific
Reference to Economic and Financial Crisis"

Departmental Seminar

Christoph Trebesch

"Sovereign Defaults in Court"*

Sovereign debt is widely regarded as non-enforceable and immune from legal action. This paper takes a different perspective and builds a comprehensive new dataset on creditor lawsuits filed against defaulting sovereigns since 1976. The data show a drastic rise of sovereign debt litigation. In recent years, almost 50% of sovereign defaults involved legal disputes abroad, compared to just 5% in the 1980s. Our case studies and econometric results also indicate significant externalities outside the courtroom: litigation is associated with (i) a loss of access to international capital markets, (ii) a decline in international trade, and (iii) delays in crisis resolution. We conclude that the legal consequences of sovereign defaults are much greater than commonly thought. This is consistent with theoretical models with sanctions and creditor retaliation.

* with Julian Schumacher and Henrik Enderlein

Economics & Politics Seminar

Martin Koppensteiner

"The Effect of Income Shocks on the Incidence of Domestic Violence: Evidence from Rural Tanzania"

This paper estimates the effect of income shocks on the incidence of domestic violence in rural Tanzania. It uses a unique set of data containing information on the incidence of domestic abuse towards female household members and focuses on rural households where the main source of income is from agricultural production. We use an instrumental variable approach to deal with the potential endogeneity of income by using household specific rainfall shocks. A one standard deviation shock to per capita HH income increases the incidence of domestic violence by 3%. We provide evidence that the effects are driven by violence targeted at spouses working in the agricultural sector and that female empowerment plays an important mitigating role.

Internal Seminar

Alok Mishra, University of Hyderabad

"Does Vertical Financial Integration Boost Economic Growth in India? An Empirical Analysis with Specific Reference to Economic and Financial Crisis"

The rational debate concerning the use of the financial system in modern macroeconomics intensifies again post to the latest subprime global financial crisis. At the same time with rising trade and financial openness in Asia in general and India in particular, global factors come to wage a larger part in the domestic policy formulation, leading to larger financial market integration. The benefits of global integration depend on size, composition, and quality of capital flows. Global financial integration involves direct and indirect or collateral benefits. It is in this context, the

major objectives of the presentation are fourfold. These are as follows: Does International Financial Integration boost economic growth?; Do financially more open economies grow faster than closed ones precisely because of financial openness, FDI openness and Trade Openness; Do well functioning stock markets promote long range economic growth; Does necessarily Financial Market Integration lead to market efficiency to reach the core objective of Financial Stability?

These issues have been explored both at theoretical and empirical level with special emphasis to different economic and financial crisis periods. The short term interaction is studied by using Toda Yamamoto's procedure of Granger's Causality in VAR Block Exogeneity form and the long run equilibrium relationship is tested by applying Johansen Maximum Likelihood procedure. And so the survey has also explored the volatility spillovers among the global stock indices by applying the ARCH school of models. Finally the Random Walk Hypothesis is tested by employing the Chow-Denning (1993) and Lo and MacKinlay (1988) multiple variance ratio test to test the efficiency of the marketplace. The survey looked at the daily data spanning from 4th January 1994 to 2nd May 2012 which is around 4019 observations. The full sample period is split into six phases such as whole sample, pre Asian crisis, the Asian crisis, post Asian crisis, Global financial crisis and post global financial crisis. Then the study has examined the dynamic relationship between financial integration and economic growth by considering multiple indicators such as size, depth, liquidity, efficiency, stability, completion, concentration and access etc.

Talks and Research Visits

Zeno Enders visited the CES in Munich from October 6-17 and presented the paper "Growth expectations, undue optimism, and short-run fluctuations" at the ifo (not to be confused with the CESifo), October 15.

New Working Papers

Axel Dreher, Vera Eichenauer and Kai Gehring: *Geopolitics, Aid and Growth*, AWI Discussion Paper Series No 575, October 2014

Christian Conrad and Matthias Hartmann: *Cross sectional evidence on the relation between monetary policy, macroeconomic conditions and low frequency inflation uncertainty*, AWI Discussion Paper Series No 574, October 2014.

**Editorial deadline for issue 25/2014 of the newsletter:
Wednesday, November 5, 2014, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact the address above.