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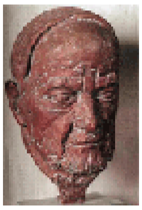

# Newsletter 30/2014

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## AWI This Week

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| **Monday, 15.12.14** | **Departmental Seminar** |
| 17.15-18.45 | Maria Montero, University of Nottingham |
| AWI 00.010 | "Bargaining in weighted majority games" |
| **Tuesday, 16.12.14** | **Economics & Politics Seminar** |
| 14.15-15.15 | Alexis Antoniades, Georgetown University |
| AWI 02.036 | "Mortgage Market Credit Conditions and U.S. Presidential Elections" |
| **Wednesday, 17.12.14** | **Internal Seminar** |
| 12.15-13.15 | Sarah Langlotz |
| AWI 00.010 | "Aid and growth. New evidence using an excludable instrument" |

# Abstracts

**Departmental Seminar**

Maria Montero

"Bargaining in weighted majority games"

We examine the relationship between voting weights and voters' expected payoffs in legislative bargaining and provide a necessary and sufficient condition for expected equilibrium payoffs to be proportional to voting weights. This condition has a natural interpretation in terms of the supply and demand for coalition partners. When the condition is not satisfied, departures from proportionality may be substantial. In particular, it is possible for asymmetric parties to have the same expected equilibrium payoffs, and surplus coalitions (i.e., coalitions larger than minimal winning) are not ruled out.

**Economics & Politics**

Alexis Antoniades

"Mortgage Market Credit Conditions and U.S. Presidential Elections"

Voters reward and punish incumbent Presidential candidates for changes in the local supply of mortgage credit. Adverse (favorable) shifts in the supply of mortgage credit within the voter's county reduce (increase) support for the incumbent party's Presidential candidate. Our focus is the Presidential election of 2008, which followed an unprecedented swing from very generous mortgage underwriting standards to a severe contraction of mortgage credit. Voters responded by shifting their support away from the Republican Presidential candidate in 2008. That shift was particularly pronounced in states that typically vote Republican and in swing states. The magnitude of the effect is large. If mortgage credit supply had not shifted adversely from 2004 to 2008, McCain would have received 69% of the votes needed to reverse the outcome of the election. The contraction in mortgage credit supply was twice as important as the increase in the unemployment rate; if unemployment had not increased from 2004 to 2008, that improvement in local labor markets would only have given McCain 37% of the votes needed to win the nine swing states that Bush had won in 2004, but McCain lost in the 2008 election. We extend our analysis to other Presidential elections from 1996 to 2012 and find interesting differences in results, which suggest that the extent to which incumbents are penalized for credit supply tightening depends on the context in which the tightening is occurring, as well as perceptions of the candidates' advocacy of mortgage credit expansion.

**Internal Seminar**

Sarah Langlotz

"Aid and growth. New evidence using an excludable instrument"*

We use an excludable instrument to test the effect of foreign aid on economic growth, in a sample of 73 countries over the 1966-2009 period. We interact donors' government fractionalization with a recipient country's probability to receive aid. The results show fractionalization to increase donors' aid budgets, representing the over-time variation of our instrument, while the probability to receive aid introduces variation across recipient countries. Controlling for country- and period-specific effects that absorb the levels of the interacted variables, the interaction provides a powerful and excludable instrument. Making use of the instrument, our basic results show that aid increases growth contemporaneously. This result is robust in alternative specifications and seems to be driven by an increase in consumption. We find no significant effect of aid on investment and lagged growth. This result is robust in a number of different specifications and leads to the conclusion that aid has no lasting effects on growth.

*with Axel Dreher

## Talks and Research Visits

**Christian Conrad** organized a session on "Recent developments in volatility modelling" at the 8th International Conference on Computational and Financial Econometrics, Pisa, December 6-8, 2014. He presented the paper "Anticipating long-term stock market volatility" (joint with Karin Loch).

**Enjoy the holiday season and have a great start into the new year 2015!**

**Editorial deadline for issue 1/2015 of the newsletter:**
**Wednesday, January 7, 2015, 12 o'clock**
**newsletter@awi.uni-heidelberg.de**

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