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AWI This Week

Monday, 20.1.14

Departmental Seminar

17.15-18.45

AWI 00.010

Marco Terviö, Aalto University School of Business

"Transaction Taxes in an Assignment Model of Housing"

Tuesday, 21.1.14

Economics & Politics Seminar

14.15-15.45

AWI 02.036

Tessa Bold, Goethe University Frankfurt

"Insurance Companies of the Poor"

Wednesday, 22.1.14

Departmental Seminar II

12.15-13.15

AWI 00.010

Thomas Eife, University of Heidelberg

"The General Equilibrium Effects of the "Fracking Boom" on the U.S. Trade Structure"

Thursday, 23.1.14

Die Eurokrise: Ursachen. Lösungsstrategien. Folgen

18.30-20.00

Campus Bergheim
Hörsaal

Prof. Dr. Andreas Busch, Universität Göttingen

"Deutschland und die Eurokrise."

Departmental Seminar

Marco Terviö

"Transaction Taxes in an Assignment Model of Housing"

We study the impact of a linear transaction tax on the distribution of house prices and welfare. We use a one-sided assignment model with imperfectly transferable utility, where households are heterogeneous by incomes, houses are heterogeneous by quality, and housing is a normal good. We analyze how the distribution of equilibrium prices depends on the joint distribution of endowments. We show how the impact of a transaction tax depends on the distribution, and how it can be inferred from data. In our empirical application we use data from the Helsinki metropolitan region to assess the welfare impact of a counterfactual tax reform, where the 2% transaction tax is replaced by a revenue equivalent linear property tax.

Economics & Politics Seminar

Tessa Bold

"Insurance Companies of the Poor"*

We study - in the context of rural Ethiopia - how formal insurance institutions that pool risk across time and space emerge as equilibria in an environment of limited enforceability, where more informal ones that only pool risk across space continue to exist. Using a unique data set on funeral insurance groups and their members, we show first that more formal groups provide better insurance than informal ones and that both sets of groups employ a variety of punishment mechanism to induce their members to share risk. We model these groups in an environment of limited enforceability and require them to be coalition-proof, since insurance explicitly requires the cooperation of many agents. We also endow groups with additional enforcement mechanisms in the shape of fines, and posit that the ability to use such punishments is larger the greater the underlying social cohesion of the group. The model can generate coexistence of formal and informal groups, because coalition-proof equilibria can fail to exist: it is possible that groups that do not hold reserves are stable (since they have less stringent enforcement constraints) while groups that do hold reserves may not be. The model also generates a welfare ranking of formal and informal groups: groups that hold reserves become more prevalent the more enforcement power communities have, and the more enforcement power, the higher welfare, leading to a positive correlation between formality and welfare as observed in the data and a positive correlation between enforcement power and the prevalence of reserves-based insurance predicted by the model. We test and confirm this mechanism by relating standard measures of social cohesion - trust and connectedness among the members of an insurance group - to the use of punishment mechanisms, welfare from insurance and the prevalence of informal insurance institutions.

*with Stefan Dercon

Internal Seminar

Thomas Eife

"The General Equilibrium Effects of the "Fracking Boom" on the U.S. Trade Structure"*

The progress in drilling technologies and hydraulic fracturing ("fracking") allows the United States to expand its domestic energy production significantly in the coming years. Being currently the largest energy importer, the United States is projected to become the largest energy exporter in 2035. We study in a general equilibrium model with intra- and intersectoral externalities how these developments in the energy sector will affect the comparative advantage of other industries and how the U.S. trade structure will change over the next two decades.

*with Isadora Kirchmaier and Andreas Lindenblatt

Talks and Research Visits

Christian Conrad participated in the first RAstaNEWS Conference: "More Europe: Letting the Euro Work at Full Speed", Milan, January 13-14. RAstaNEWS (Macro-Risk Assessment and Stabilization Policies with New Early Warning Systems) is the main EU-wide, 3-year project on monetary issues financed by the EU Commission in the context of the VII Framework Programme. Main topic of the Conference was the acknowledgment of the fragility of the common currency construction - finally exposed during the European debt crisis -, both from an economic and a political point of view. The speakers at the Conference discussed the state of the European recovery, and the political steps that have been taken in order to address the original drawbacks of the institutional framework of the common currency and new proposals to let the euro achieve its full potential. Christian Conrad presented the paper "Cross sectional evidence on the relation between monetary policy, macroeconomic conditions and low-frequency inflation uncertainty" (joint with Matthias Hartmann).

Christine Binzel presented her paper "Does the Arrival of a Formal Financial Institution Alter Informal Sharing Arrangements? Experimental Evidence from Village India" (joint with Erica Field and Rohini Pande) at the GIGA (German Institute of Global and Area Studies) Seminar in Socio-Economics, Hamburg, January 15.

Miscellaneous

Axel Dreher is Co-organizer of the Political Economy of International Organizations VII (with Christina Davis, Katharina Michaelowa, Helen Milner), Princeton University, USA January 16-18.

**Editorial deadline for issue 4/2014 of the newsletter:
Wednesday, January 22, 2014, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact the address above.