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## AWI This Week

### **Monday, 14.4.14**

### **Departmental Seminar**

17.15-18.45

Dieter Nautz, FU Berlin

AWI 00.010

"Stale Forward Guidance"

### **Tuesday, 15.4.14**

### **Economics & Politics Seminar**

14.15-15.45

Albert Sollé-Ollé, University of Barcelona

AWI 02.036

"Does exposure to corruption erode trust in government?:  
Evidence from a matched sample of local scandals in  
Spain"

### Departmental Seminar

Dieter Nautz

"Stale Forward Guidance"\*

An increasing number of central banks manage market expectations via interest rate projections. Typically, those projections are updated only quarterly and thus, may become stale when new information enters the market. We use data from New Zealand to investigate the time-varying and state-dependent effects of interest rate projections. Confirming the stabilizing effect of fresh central bank announcements, we show that interest rate uncertainty rises between two projection releases. Moreover, rate uncertainty and the importance of macroeconomic news increase if expectations deviate from the rate projected by the central bank. Counterfactual analysis suggests that the efficiency of projections would improve if the central bank updated its projection whenever it becomes stale.

\*with Gunda-Alexandra Detmers

### Economics & Politics Seminar

Albert Sollé-Ollé

"Does exposure to corruption erode trust in government?:  
Evidence from a matched sample of local scandals in Spain"\*

We examine whether the occurrence of a corruption scandal involving the incumbent does reduce trust in local politicians. We use a novel dataset, with information on local corruption scandals that broke out in Spain during the period 1999-2013, and data on trust in local government coming from a newly designed survey undertaken in late 2009. We use matching methods to select a group of municipalities without corruption scandals in 1999-2009 but that are identical in terms of observables to municipalities where a scandal broke out during those years. Our identification strategy compares municipalities affected by a scandal in 1999-2009 to municipalities with similar traits but where: (i) no scandal broke out, or where (ii) a scandal broke out, but it happened after the survey was carried out (i.e., in 2010-2013). Our results suggest that corruption scandals have a negative and significant effect on trust in local politicians. The significance and size of the effect does not depend on which control group is used. This suggests that the results should be interpreted as causal, something that we corroborate by running several placebo tests. Our results also suggest that the effect is persistent over time and is stronger for: (i) individuals that obtain information from the media (as opposed to grapevine sources or the local government itself), and (ii) that are not ideologically attached to the party accused of corruption.

\*with Pilar Sorribas-Navarro

## Talks and Research Visits

**Stefan Trautmann** gave a talk on "Ambiguity attitude=ambiguity aversion?" at the Psychology Colloquium, Department of Social Psychology, Tilburg University, April 4.

**Christoph Vanberg** gave a talk on "Who never tells a lie?" at the workshop *Communication, reciprocity and beliefs*, Faculty of Economics, Sapienza University of Rome, April 3-4.

**Marta Curto** presented the paper "Voter's responsiveness to employment policies" in the 2014 Meeting of the European Public Choice Society, April 3-6.

**Vera Eichenauer** presented the paper "The Politics of Special Purpose Trust Funds" at the European Public Choice Conference in Princeton, April 3-4. She also will have a four weeks research visit at the World Bank, Washington DC, from April 8 to May 5.

**Zeno Enders** presented the paper "International Financial Market Integration, Asset Compositions and the Falling Exchange-Rate Pass-Through" at the third conference of the DFG priority program "Financial Market Imperfections and Macroeconomic Performance", Konstanz, April 3-4.

**Andreas Fuchs** presented the paper "The Home Bias in Sovereign Ratings" (joint work with Kai Gehring) at the Faculty Seminar ("Volkswirtschaftliches Kolloquium") of the Helmut-Schmidt-Universität Hamburg, March 26, and at the European Public Choice Society Meeting in Cambridge (UK), April 3-6.

**Juergen Eichberger**, gave a talk on "Randomization and Dynamic Consistency" University of Heidelberg (co-authored with Simon Grant, University of Queensland and David Kelsey, University of Exeter) at the College of Social Sciences, University of Glasgow, April 1.

**Zeno Enders** presented the paper "Growth expectations, undue optimism, and short-run fluctuations" at the Board of Governors of the Federal Reserve System, Washington, DC, March 26.

**Zeno Enders** presented the paper "Global Banking, Trade, and the International Transmission of the Great Recession" at the International Spillovers seminar of the IMF Research Department, Washington, DC, March 24.

**Christiane Schwieren** presented the paper "Imitation under stress" (joint with M. Buckert and J. Oechssler) at the "Research on Monday" - Tinbergen Seminar, Rotterdam, March 24.

**Christoph Vanberg** presented "Decision rules, group size, and communication in legislative bargaining" at the 51st Annual Meetings of the Public Choice Society, Charleston, March 6-9.

**Andreas Fuchs** presented the paper "Understanding South-South Cooperation: The Motives Driving Aid-like and Non-traditional Flows from China to Africa" (joint work with Axel Dreher) at the Public Seminar of the East Asian Institute, National University of Singapore, February 19.

**Zeno Enders** became member of the "Ausschuss für Geldtheorie und Geldpolitik des Vereins für Socialpolitik" after having presented the paper "Growth expectations, undue optimism, and short-run fluctuations" at the committee's annual meeting, Frankfurt am Main, February 14-15.

## Visitors

**Subhasish Dugar**, Assistant Professor at the University of Calgary, is spending three months for research at the AWI. His research work is focused on Experimental Economics, Behavioral Industrial Organization and Field Experiment. Subhasish Dugar will stay until June 30 at the chair of Jörg Oechssler (room 01.006).

## New Publications

Christoph Vanberg: "Adaptive Preferences, Normative Individualism, and Individual Liberty: Comment", *Journal of Institutional and Theoretical Economics*, 170 (2014), 43--48.

Trautmann, S.T., & G. van de Kuilen (2014). Belief Elicitation: "A Horse Race Among Truth Serums", *Economic Journal*, forthcoming.

Pollmann, M., J. Potters, and S.T. Trautmann (2014): "Risk taking by agents: The role of ex-ante and ex-post accountability", *Economics Letters*, forthcoming.

Christoph Vanberg and Wendelin Schnedler: "Playing hard to get: an economic rationale for crowding out of intrinsically motivated behavior", *European Economic Review*, forthcoming.

Magdalena Buckert, Christian J. Fiebach, Brigitte M. Kudielka, and Christiane Schwieren: "Acute stress affects risk taking but not ambiguity aversion", *Frontiers in Neuroscience*, forthcoming.

Axel Dreher and Andreas Fuchs: "Rogue Aid? An Empirical Analysis of China's Aid Allocation" was accepted for publication in the *Canadian Journal of Economics*.

Jürgen Eichberger, Jörg Oechssler, and Wendelin Schnedler: "How do subjects view multiple sources of ambiguity?", *Theory and Decision*, forthcoming.

Schymura, Michael und Andreas Löschel: "Incidence and Extent of Co-Authorship in Environmental and Resource Economics: Evidence from the Journal of Environmental Economics and Management", *Scientometrics*, forthcoming.

Löschel, Andreas und D. Rübbelke: "On the Voluntary Provision of International Public Goods", *Economica*, forthcoming.

Wei, Chu, Andreas Löschel und Bing Liu: "An Empirical Analysis of the CO2 Shadow Price in Chinese Thermal Power Enterprises", *Energy Economics*, forthcoming.

## New Working Papers

Johannes Diederich and Timo Goeschl: "Motivational Drivers of the Private Provision of Public Goods: Evidence From a Large Framed Field Experiment", AWI Discussion Paper Series 561, April 2014.

Johannes Diederich: "The Effect of Ambient Noise on Cooperation in Public Good Games", AWI Discussion Paper Series 560, April 2014.

Luis Miller and Christoph Vanberg: "Group size and decision rules in legislative bargaining", AWI Discussion Paper Series 558, March 2014.

Sara Elisa Kettner and Smarandita Ceccato: "Framing Matters in Gender-Paired Dictator Games", AWI Discussion Paper Series 557, March 2014.

Magdalena Buckert, Jörg Oechssler, and Christiane Schwieren: "Imitation Under Stress", AWI Discussion Paper Series, 556, March 2014.

Jörg Oechssler and Alex Roomets: "A Test of Mechanical Ambiguity", Discussion Paper Series, 555, March 2014.

## Miscellaneous

**Returner:** We welcome Zeno Enders back in Heidelberg. He visited the International Monetary Fund from August 2013 until February 2014 and the Board of Governors of the Federal Reserve System during March 2014.

**Christine Binzel** received funding from the German Research Foundation (DFG) to evaluate the impact of improved access to formal financial institutions in rural Tamil Nadu, India, using a randomized field experiment. Joint with Erica Field (Duke University) and Rohini Pande (Harvard University).

**Mercedes Hausi** has successfully defended her doctoral thesis, supervised by Christiane Schwieren, on "Die Förderung von jungen und älteren Potenzialträgern vor dem Hintergrund des demographischen Wandels", University of Heidelberg, March 27.

**Bernd Lämmlein** has successfully defended his doctoral thesis, supervised by Hartmut Sangmeister "Erneuerbare Energien in Städten Zentralamerikas – die Elektrizitätsmärkte von Costa Rica und Nicaragua im Vergleich", University of Heidelberg, March 25.

**Junhong Meng** has successfully defended her doctoral thesis, supervised by Hartmut Sangmeister, on "Chinese Rural Banking Situation and the Reform of the Main Rural Financial Supplier Rural Credit Cooperatives", University of Heidelberg, February 21.

**Anne Jessen** has successfully defended her doctoral thesis, supervised by Hans Diefenbacher and Dieter Roth, on "Perspektiven der politischen Meinungsforschung im Spannungsfeld von Theorie, Praxis und Öffentlichkeit", University of Heidelberg, February 11.

**Editorial deadline for issue 7/2014 of the newsletter:  
Wednesday, April 16, 2014, 12 o'clock  
newsletter@awi.uni-heidelberg.de**

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please contact the address above.