



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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AWI This Week

Monday, 19.1.15

Departmental Seminar

17.15-18.45

AWI 00.010

Hartmut Egger, University of Bayreuth

"Offshoring and Firm Overlap"

Tuesday, 20.1.15

Economics & Politics Seminar

14.15-15.15

AWI 02.036

Vera Tröger, University of Warwick

"The Politics of Strategic Budgeteering"

Wednesday, 21.1.15

Internal Seminar

12.15-13.15

AWI 00.010

Jonathan E. Alevy, University of Alaska Anchorage

"Length of Days and Economic Behavior"

Wednesday, 21.1.15

Macro & Econometrics Seminar

17.00-18.00

AWI 00.010

Christian Conrad

"Misspecification Testing in GARCH-MIDAS Models"

Departmental Seminar

Hartmut Egger

"Offshoring and Firm Overlap"

We set up a model of offshoring with heterogeneous producers, in which firms differ in the mass of tasks they perform and the share of tasks they can offshore to a low-cost host country. The model captures the empirical regularity that larger, more productive firms are more likely to make use of the offshoring opportunity and that only a fraction of firms of a specific type engages in offshoring. This gives rise of an overlap of firms, which is type-specific and, in the aggregate, non-monotonic in the costs of offshoring. In an empirical exercise, we use firm-level data from Germany to structurally estimate key parameters of the model. These parameters are then used for counterfactual analyses, in which we quantify at the role of overlap for welfare and study the consequences of a reduction in offshoring costs for the extent of overlap and welfare.

Economics & Politics Seminar

Vera Tröger

"The Politics of Strategic Budgeteering"

Governments want to be reelected but increasing fiscal transparency has imposed many challenges for them to pursue opportunistic fiscal policies. This paper demonstrates that governments can electioneer even when fiscal transparency is high. We argue that governments can use several strategies to increase public good provision before elections, and they choose the strategies that are most effective given the level of transparency. Whereas deficit spending is an effective strategy to artificially increase voters' perceived welfare before elections when voters cannot observe these distortionary practices, increasing fiscal transparency makes these strategies more costly (conservative voters would punish the government). Consequently, when fiscal transparency is high governments resort to less visible strategies, such as the redistribution of budgetary resources from long-term efficient investment spending to short-term consumption spending. We test the predictions with data on the composition of government spending for 32 countries over up to 38 years and data on individual budget items for 17 OECD countries over 35 years. The preliminary findings suggest that governments indeed redistribute resources from long-term efficient investment to short-term public goods provision before elections especially if elections are contested.

Internal Seminar

Jonathan E. Alevy

Length of Days and Economic Behavior*

There is evidence from equity markets from Stockholm to Johannesburg that equity returns vary systematically with the seasons. One prominent hypothesis is that individuals have time-varying risk preferences with risk-aversion increasing as days grow shorter. We test the hypothesis directly by examining individual choice data from Denmark and from Anchorage, Alaska two locations with significant variation in daylight hours across the seasons. We find evidence of changes in risk attitudes consistent with the hypothesis. We also present preliminary results from the Anchorage data on seasonal effects on strategic and prosocial behavior.

*with Audrey Tanaka and Michael Young

Macro & Econometrics Seminar

Christian Conrad

"Misspecification Testing in GARCH-MIDAS Models"

We develop a misspecification test for the multiplicative two-component GARCH-MIDAS model suggested in Engle et al. (2013). In the GARCH-MIDAS model a short-term unit variance GARCH component fluctuates around a smoothly time-varying long-term component which is driven by the dynamics of a macroeconomic explanatory variable. We suggest a Lagrange Multiplier statistic for testing the null hypothesis that the macroeconomic variable has no explanatory power. Hence, under the null hypothesis the long-term component is constant and the GARCH-MIDAS reduces to the simple GARCH model. We provide asymptotic theory for our test statistic and investigate its finite sample properties by Monte Carlo simulation. Our test statistic can be considered as an extension of the Lundbergh and Teräsvirta (2002) "ARCH nested in GARCH" test for evaluating GARCH models.

Talks and Research Visits

Jürgen Eichberger presented the paper "Preference for Randomization and Dynamic Consistency" (co-authored with Simon Grant and David Kelsey) at the Humboldt Universität zu Berlin, January 14.

Jürgen Eichberger presented the paper "Ambiguity and Games" (co-authored with David Kelsey) at the Dauphine Université Paris, January 6.

Visitors

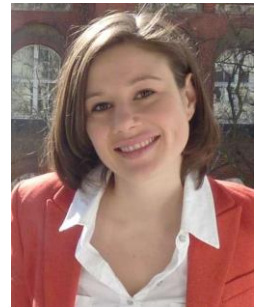
Jonathan E. Alevy, University of Alaska Anchorage, visits the AWI from January 19 to January 22. He has been invited by Christiane Schwieren and stays in room 01.012a.

New Working Papers

Christian Conrad and Enno Mammen: *Asymptotics for parametric GARCH-in-Mean Models*, AWI discussion paper series, no. 579, January 2015.

New and Leaving Staff

Verena Lauber joined the AWI as a Postdoc at the Chair of Labor Economics and New Political Economy (room UG -127c, basement, Bergheimer Str. 20). She is currently completing her Ph.D. within the *Doctoral Program in Quantitative Economics and Finance at the University of Konstanz*. From 2012 to 2014 she also worked at the German Institute for Economic Research (DIW) in Berlin. Her research interests are in *Applied Microeconometrics and Policy Evaluation with a focus on topics in Family Economics, Economics of Education and Labor Economics*.



**Editorial deadline for issue 3/2015 of the newsletter:
Wednesday, January 21, 2015, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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