



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
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AWI This Week

Monday, 20.4.15

Departmental Seminar

17.15-18.45

Tom Krebs, University of Mannheim

AWI 00.010

"Labor Market Institutions and the Cost of Recessions"

Wednesday, 22.4.15

Internal Seminar

12.15-13.15

Alejandro Donado

AWI 00.010

"Why do they JUST DO IT? A theory of outsourcing and working conditions"

Friday, 24.4.15

8th HeiKaMaX - Workshop

Kaiserstraße 12, Karlsruhe
10:15-17:45

at the Karlsruhe Institute of Technology, Institute ECON

Departmental Seminar

Tom Krebs

"Labor Market Institutions and the Cost of Recessions"*

This paper studies the effect of two labor market institutions, unemployment insurance (UI) and job search assistance (JSA), on the welfare costs of recessions. The paper develops a tractable incomplete-market model with job search and idiosyncratic as well as aggregate labor market risk. It uses the tractability of the model to provide a theoretical and quantitative analysis of the link between labor market institutions and the welfare cost of recessions. The theoretical analysis shows that JSA reduces the welfare costs of recessions, but that UI increases the welfare costs of recessions if the effect of UI on search incentives is strong enough. The paper also provides a quantitative application to the German labor market reforms of 2003-2005, the so-called Hartz reforms. Specifically, the paper considers the Hartz III reform, which improved JSA, and the Hartz IV reform, which reduced UI. According to the baseline calibration, both reforms reduced the welfare cost of recessions substantially.

*with Martin Scheffel

Internal Seminar

Alejandro Donado

"Why do they JUST DO IT? A theory of outsourcing and working conditions"

Nike and other brand companies have long been the target of widespread criticism for outsourcing their manufacturing production to contract factories with dismal working conditions. The typical accusations are that factory workers are forced to work overtime, under poor working conditions, and for less than the living wage. Despite the overwhelming amount of public interest, there exists no theory for studying this topic. The current paper fills this gap. In the model, the most productive firms in the North make high profits and outsource their manufacturing production to contract factories in the South. Factories pay wages that can compensate for poor working conditions, but these wages might not cover for workers' basic needs. The paper studies an extension under which factory workers are not appropriately compensated for inferior working conditions. Inferior working conditions in the South attract northern contractors due to lower production prices.

Talks and Research Visits

Axel Dreher presented the paper "Aid on Demand: African Leaders and the Geography of China's Foreign Assistance" (with Andreas Fuchs, Roland Hodler, Bradley Parks, Paul A. Raschky and Michael J. Tierney), University of Gothenburg, Sweden, April 21.

Axel Dreher presented the paper "Aid and Growth at the Regional Level", Conference on Financing for Development, International Monetary Fund, Centre for Finance and Development and UK Department for International Development, Graduate Institute Geneva, April 15-17.

Jürgen Eichberger presented the paper "Ambiguity and Games" (co-authored with David Kelsey) at Regensburg University, April 13.

At the Meeting of the European Public Choice Society April 7-10, 2015 in Groningen, Netherlands **Axel Dreher** participated and the following papers were presented: **Vera Eichenauer**: "Bilateralizing" multilateral aid? The political economy of World Bank Trust Funds"; **Andreas Fuchs**: "Aid on Demand: African Leaders and the Geography of China's Foreign Assistance" (with Axel Dreher, Roland Hodler, Bradley Parks, Paul A. Raschky and Michael J. Tierney); **Marta Grau**: "Party Discipline and Government Spending: Theory and Evidence"; **Kai Gehring**: "Crime, incentives, and political effort: a model and empirical application for India"; **Sarah Langlotz**: "Aid and growth. New evidence using an excludable instrument"; **Alexandra Rudolph**: "Pension programs around the world: determinants of social pension adoption and persistence".

Kai Gehring presented his paper "Crime, incentives, and political effort: a model and empirical application for India", at the CSAE Conference "Economic Development in Africa", University of Oxford, UK, March 22-24.

Stefan Trautmann presented his paper "Ambiguity aversion is the exception" Birkbeck College, University of London, March 19.

Stefan Trautmann presented his paper "Process fairness and dynamic consistency" at the HEC Paris, Decision theory workshop, March 20.

Marta Curto presented the paper "Party Discipline and Government Spending: Theory and Evidence," at the 52nd Annual Meeting of the Public Choice Society, San Antonio (U.S.), March 12-15

Hans Diefenbacher gave a talk on "Wachstumskritik – ein Zwischenresumée nach dreißig Jahren", at the Institut für Zukunftsstudien und Technologiebewertung, Berlin, March 9.

Axel Dreher participated in the *Jahrestagung Wirtschaftspolitischer Ausschuss*, Frankfurt, March 3-5.

Zeno Enders participated in the annual meeting of the Ausschuss für Geldtheorie und Geldpolitik of the Verein für Socialpolitik, Zürich, February 20-21.

Andreas Fuchs presented the paper "When Do Developing Countries Follow International Regulatory Benchmarks?" (co-authored with Jale Tosun) at the Annual Conference on the Political Economy of International Organizations, Hertie School of Governance, Berlin, Germany, February 12-14.

Axel Dreher co-organized Political Economy of International Organizations VIII (with Mark Hallerberg, Mark Kayser, Christopher Kilby), Hertie School of Governance, Berlin, Germany, February 12-14, 2015.

Andreas Fuchs presented the paper "Apples and Dragon Fruits: The Determinants of Aid and Other Forms of State Financing from China to Africa" (co-authored with Austin Strange, Bradley Parks, Michael J. Tierney and Axel Dreher) at the CSAE Conference "Economic Development in Africa", University of Oxford, UK, March 22-24, and at the International Conference "Approaches and Implementation of Asian and European Official Development Assistance (ODA): Similarities, Specificities and Convergences", Catholic Louvain University, Louvain-La-Neuve, Belgium, February 6.

Axel Dreher presented his paper "Aid on Demand: African Leaders and the Geography of China's Foreign Assistance" at the *Sheffield Workshop in Political Economy* (keynote), University of Sheffield, February 5, at the *Applied Economics Seminar, University of Mannheim*, March 11 and at the *ESG Management School, Paris*, France, March 19.

Marta Curto was a visiting scholar at the Government Department at Harvard University from 16/02/2015 until 03/04/2015 sponsored by Prof. James Snyder.

Zeno Enders visited the Research Department of the IMF (February 23 until April 2) and presented the paper "Growth expectations, undue optimism, and short-run fluctuations", April 2.

New Publications

Diefenbacher, Hans, Schweizer, Rike, Teichert, Volker, Oelsner, Gerd: *Leitfaden zur Erstellung von Nachhaltigkeitsberichten in kleinen und mittleren Kommunen*. Stuttgart/Karlsruhe: Ministerium für Umwelt, Klima und Energiewirtschaft Baden-Württemberg/Landesanstalt für Umwelt, Messungen und Naturschutz Baden-Württemberg, 2. revised edition, March 2015.

Jonas Hedlund: *Imitation in Cournot oligopolies with multiple markets*, in *Economic Theory*, forthcoming.

Jörg Oechssler, Andreas Roider, Patrick Schmitz: *Cooling-Off in Negotiations - Does It Work?*, *Journal of Institutional and Theoretical Economics*, forthcoming.

New Working Papers

Dovern, J., M. Feldkircher und F. Huber: Does Joint Modelling of the World Economy Pay Off? Evaluating Global Forecasts from a Bayesian GVAR, Heidelberg University Department of Economics Working Paper Series, No. 590, March 2015.

Nikos Nikiforakis, Jörg Oechssler, and Anwar Shah: Managerial bonuses, subordinates' disobedience, and coercion, Heidelberg University Department of Economics Working Paper Series, No. 589, March 2015.

Joerg Oechssler, Alex Roomets, and Stefan Roth: From Imitation to Collusion – A Comment, Heidelberg University Department of Economics Working Paper Series, No. 588, March 2015.

Andreas Reischmann: Conditional vs. Voluntary Contribution Mechanism – An Experimental Study, Heidelberg University Department of Economics Working Paper Series, No. 587, March 2015.

Andreas Reischmann: Conditional vs. Voluntary Contribution Mechanism – An Experimental Study, Heidelberg University Department of Economics Working Paper Series, No. 586, March 2015.

Dovern, J. und F. Huber, 2015, Global Prediction of Recessions, Heidelberg University Department of Economics Working Paper Series, No. 585.

Dovern, J. und N. Jannsen, 2015, Systematic Errors in Growth Expectations over the Business Cycle, Kiel Working Papers, No. 1989, Kiel Institute for the World Economy.

Miscellaneous

Axel Dreher was elected president by the *European Public Choice Society* <http://www.epcs-home.org/president/>.

Jörg Oechssler has been granted a DFG research grant for two years for the project "Online Gaming: An economic analysis".

Malte Faber has been invited to give a lecture on "Faustische Projekte in der modernen Welt" at the symposium Culture and Religion, which is jointly carried out by the University of St. Petersburg and the University of Heidelberg between April 15th and 19th at the Haus Buhl, Heidelberg, April 16th 2015.

New and leaving staff

Alexander Karpov (room 01.009) joined the AWI as a postdoc research fellow at the Chair of Economic Theory I in April 2015. He received his Ph.D. in 2012 from the National Research University Higher School of Economics (Moscow, Russia), where he worked as an assistant professor over the last two years. He worked as a visiting scholar at Perm State University (Russia, 2012) and Kyoto University (Japan, 2014). His main research interests are in the areas of social choice theory and industrial organizations. Alexander has publications in Social Choice and Welfare and Mathematical Social Sciences. In the summer term he gives a course on Decision Theory.



**Editorial deadline for issue 7/2015 of the newsletter:
Wednesday, April 22, 2015, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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