



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
BERGHEIMER STR. 58, 69115 HEIDELBERG, TEL. 06221/54-2941, FAX: 06221/54-3592
REDAKTION: FREYA SCHADT, EMAIL: NEWSLETTER@AWI.UNI-HEIDELBERG.DE

Upcoming Seminars

Monday, 7.12.15

Departmental Seminar

17.15-18.15

AWI 00.010

Rajesh Ramachandran, University of Frankfurt

"Linguistic Diversity, Official Language Choice and Nation Building: Theory and Evidence"

Tuesday, 8.12.15

Economics and Politics Seminar

13.45-14.45

AWI 01.030

Shaun Bevan, University of Edinburgh

"When does Government Listen to the Public? Interest Groups & Dynamic Agenda Representation in the United States"

Wednesday, 9.12.15

Internal Seminar

12.15-13.15

AWI 00.010

Karin Loch

"Time-varying volatility persistence in a GARCH-MIDAS framework"

Departmental Seminar

Rajesh Ramachandran

"Linguistic Diversity, Official Language Choice and Nation Building: Theory and Evidence"*

The paper provides a theoretical framework and empirical evidence to analyze how linguistic diversity affects socio-economic development through the channel of official language choice. The problem of choosing an official language for post-colonial multilingual states is modeled as one of coordination in a society with n -linguistic groups. Through our stylized framework we highlight two factors affecting official language choice - linguistic diversity and availability of a writing tradition. It is shown that increasing linguistic diversity amplifies the problem of coordinating on the choice of an indigenous language, and increases the probability of choosing the colonial language as official. Similarly unavailability of a written indigenous language, by imposing an additional fixed cost, increases the probability of retaining the colonial language. Using both OLS and instrumental variable strategies we find strong support in the data for our theoretical framework. We explore the consequences of this unaccounted for relationship between diversity and official language choice for the cross-country empirical literature on diversity and development, and show that the negative effects attributed to diversity are mediated through the channel of language policy. Finally, we show how our theoretical framework can be usefully applied to studies on artificial states and nation building.

*with David D. Laitin

Economics and Politics Seminar

Shaun Bevan,

"When does Government Listen to the Public? Interest Groups & Dynamic Agenda Representation in the United States"

Even if interest groups affect the extent to which the political agenda reacts to outside influence, existing evidence on how interest groups affect political responsiveness is sparse. The aim of the paper is to examine how the structure of interest group populations affects the process through which the public's issue priorities are translated into policy priorities. We conduct a time-series analysis of political attention in executive and legislative agendas at the US federal level in the period 1971-2001 covering all issues addressed by the US government. Despite frequent criticism of the role of organized interests in the literature we show that the size of group populations in a policy area has a positive effect on the link between public priorities and attention for both Congressional hearings and the President's State of the Union Address. However, our results indicate that the ability of groups to act as a transmission mechanism between opinion and policy agendas varies across different stages of the policy process based on the degree of institutional friction. The findings underline the importance of distinguishing between different stages of policy-making when considering the impact of groups on dynamic agenda responsiveness.

Internal Seminar

Karin Loch

"Time-varying volatility persistence in a GARCH-MIDAS framework"

This paper presents a new volatility model with time-varying volatility persistence (TVP) that is governed by the dynamics of an explanatory variable. We extend the GJR-GARCH model by introducing a time-varying GARCH coefficient that is linked to the variable in a parsimonious way using MIDAS techniques. We refer to the model as the TVP-GARCH-MIDAS model. It nests the GJR-GARCH under the null that the variable has no explanatory power. We present a misspecification test based on the Lagrange multiplier principle and study its finite sample properties in a Monte-Carlo simulation. In an empirical application to the U.S. stock market, we show that volatility persistence is positively related to realized volatility and that it varies across the business cycle in a counter cyclical way. Finally, forecasting gains of the new model are assessed in a direct forecasting comparison.

Talks and Research Visits

Jürgen Eichberger presented the paper "Strategic Ambiguity in the Centipede Game" (co-authored with Simon Grant and David Kelsey) at the 2nd Workshop on "Ambiguity in Games and Mechanisms", Paris School of Economics, Centre d'Économie de la Sorbonne, November 25-26.

Christian Conrad presented the paper "Misspecification testing in GARCH-MIDAS models" (joint with Melanie Schienle) in the Research Seminar of the Faculty of Management, Economics and Social Sciences, University of Cologne, November 24.

Vera Eichenauer presented her paper "Bilateralizing' multilateral aid? The political economy of World Bank trust funds" (with Stephen Knack) at the International Political Economy Society at Stanford University, November 14.

New Publications

Jörg Oechssler, Alex Roomets, Stefan Roth: "From Imitation to Collusion - A Replication", forthcoming in *Journal of the Economic Science Association*.

Miscellaneous

Vera Eichenauer was appointed Chair of the Program Committee of the 2016 Spring Meeting of Young Economists.

New and Leaving Staff

Gert Pönitzsch (room 01.003) has taken a postdoc position at the Chair of Christoph Vanberg starting December 01, 2015. He obtained his doctoral degree from Bonn University and has recently worked at the Kiel Institute for the World Economy. His research is on public economics and experimental economics. He is especially interested in collective action and how it is shaped by institutions, beliefs, and context.



**Editorial deadline for issue 29/2015 of the newsletter:
Wednesday, December 9, 2015, 12 p.m.
newsletter@awi.uni-heidelberg.de**

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