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AWI This Week

Monday, 12.11.12

Departmental Seminar

17.15-18.45
AWI 00.010

Dietrich Earnhart, University of Kansas
"The Influence of Financial Status on Environmental
Performance: The Role of Enforcement"

Tuesday, 13.11.12

Economics & Politics Seminar

14.15-15.15
AWI 02.036

Galina Zudenkova, University of Mannheim
"A Rationale for Intra-Party Democracy"

Wednesday, 14.11.12

Departmental Seminar II

17.15-18.15
AWI 00.010

Almut Balleer, RWTH Aachen University
"Short-time Work and the Macroeconomy"

Jour Fix

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Departmental Seminar

Dietrich Earnhart

"The Influence of Financial Status on Environmental Performance:
The Role of Enforcement"*

This paper analyzes the link from financial status to the environmental performance generated by individual polluting facilities, while addressing the role that enforcement plays in shaping this link. The analysis considers multiple dimensions of both financial status and enforcement. Regarding corporate financial status, the paper considers measures of liquidity, solvency, and profitability [a proxy for corporate managerial skill], all of which can influence the likelihood that a firm faces liquidity and/or bankruptcy constraints. Regarding enforcement, the paper considers both the likelihood of enforcement, as captured by the likelihood of inspections conducted at regulated facilities, and the severity of enforcement, as captured by the size of sanctions imposed on polluting facilities found violating their effluent limits. The paper first develops a theoretical model of optimal abatement in the presence of liquidity and bankruptcy constraints and uses the model to investigate the impact of financial status on optimal abatement and to explore how enforcement shapes this impact. Then the paper empirically examines the interactions between financial status and enforcement using data on wastewater discharges from US chemical manufacturing facilities for the years 1995 to 2001. Empirical results suggest that enforcement in general plays an important role in shaping the effects of financial status on environmental performance.

*with Kathleen Segerson

Economics & Politics Seminar

Galina Zudenkovay

"A Rationale for Intra-Party Democracy"

This paper provides a rationale for intra-party democracy within a political agency model with moral hazard. The focus is on the party's internal procedures for policy determination. I show that democratizing those procedures benefits the party leadership, which seeks to maximize joint reelection chances of the party's incumbents. The reason is that under intra-party democracy, the voters adopt less demanding reappointment rules and reelect the party's incumbents more often than under leaders-dominated party structure. My results therefore indicate that democratizing policy determination processes within the party is in the interests of both the leadership and the ordinary members. The voters in turn are equally well off regardless of the party's internal procedure for policy determination.

Departmental Seminar II

Almut Balleer

"Short-time Work and the Macroeconomy"

This paper analyzes the business cycle effects of short-time work, i.e. government subsidized working time reductions. We identify the automatic response of short-time work to output changes in Germany by using survey data for a cross-section of firms. This allows us to disentangle the rule based effects (i.e. due to the existence of the institution) and the discretionary effects (i.e. due to changes in the accessibility) in a structural VAR and in a DSGE model. First, we show in the structural VAR that discretionary shocks stabilize output, but do not have a statistically significant effect on unemployment. Our model provides a rationale for both effects. Second, we show with a counterfactual analysis in a DSGE model that short-time work acts as an important automatic stabilizer.

Talks and Research Visits

Malte Faber and Thomas Petersen gave lectures on the financial and Euro crises at the First Economic and Social Policy Dialogue among Think Tanks of BRICS/Emerging Economies, November 3-5 and discussed the *Quality of Growth and Sustainable Development in BRICS/Emerging Economies in Haikou, Hainan Province, PR China*.

**Editorial deadline for issue 25/2012 of the newsletter:
Wednesday, November 14, 2012, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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