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AWI This Week

Monday, 28.10.13

Departmental Seminar

17.15-18.45

AWI 00.010

Toman Omar Mahmoud, Kiel Institute for the World Economy
"The Effect of Labor Migration on the Diffusion of Democracy:
Evidence from a Former Soviet Republic"

Wednesday, 30.10.13

Departmental Workshop

12.15-13.15

AWI 00.010

Kathrine Veie, University of Copenhagen
"The amenity cost of road noise"

Departmental Seminar

Toman Omar Mahmoud

"The Effect of Labor Migration on the Diffusion of Democracy: Evidence from a Former Soviet Republic"

Migration contributes to the circulation of goods and knowledge as well as to the diffusion of social and cultural norms. We use community and individual-level data from Moldova to investigate the impact of international labor migration on the evolution of political preferences and electoral outcomes at home. We show that the emigration of Moldovans that started in the late 1990s strongly affected electoral preferences in Moldova during the following decade and provide suggestive evidence that these effects work through the diffusion of information and democratic values from abroad. Identification relies on the quasi-experimental context under which the episode of emigration took place and on the fact that emigration was directed both to more democratic Western Europe and to less democratic Russia. We find that labor migration to the West reduced electoral support of the ruling Communist Party in favor of democratic opposition parties. Counterfactual simulations suggest that political spillovers of westward migration significantly contributed to bringing down the last ruling Communist government of Europe, twenty years after the fall of the Berlin wall.

Departmental Workshop

Kathrine Veie

"The amenity cost of road noise"

The cost of traffic noise has been the subject of several hedonic analyses, yet most of these are limited to the first stage estimation of the hedonic price function. The goal of the present research is to carry out a complete hedonic analysis to estimate and analyze household preference parameters. The analysis quantifies the willingness to pay to avoid road noise using a dataset of households and housing transactions in the Greater Copenhagen Area. The empirical strategy in the first stage analysis is aimed at simultaneously reducing the risk of omitted variable bias and the risk of measurement error in the noise measure. The latter arises because only a single cross-section of noise measures was available and was used for transactions over several years. The preference parameters are identified through the assumption of a simple functional form for utility. Willingness to pay for noise reductions is found to be increasing for higher levels of noise. A reduction of 2 dB is worth about twice as much when it occurs at 72 dB compared to the value of the reduction at 62 dB. Observable demographic characteristics explain some 32 percent of the variation in willingness to pay for a noise reduction. Some of the more important factors are income and household type, in particular, the presence of children is a significant factor in increasing willingness to pay. However, a large part of WTP heterogeneity is left unexplained, which may be a concern when considering benefit transfer. While it is possible to adjust for observable differences between areas in terms of e.g. household composition, selection into different areas based on unobserved taste cannot be controlled for in such a setting.

Talks and Research Visits

Christine Binzel and her co-author Jean-Paul Carvalho, were invited to present their paper "Education, Social Mobility and Religious Movements: A Theory of the Islamic Revival in Egypt" at the AALIMS Workshop in Princeton, NJ, USA, October 18-19.

Kai Gehring presented his paper "Aid fragmentation and effectiveness revisited" at the conference *Fragmentation or Pluralism? The organisation of development cooperation revisited* at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) in Bonn, October 10-11.

Andreas Fuchs presented the paper "Why Donors of Foreign Aid Do Not Coordinate: The Role of Competition for Export Markets and Political Support" (joint with Peter Nunnenkamp and Hannes Öhler) and participated at the Public Panel Discussion "Fragmentation or Pluralism in the organization of development cooperation: Policy implications of an evolving research agenda" at the conference *Fragmentation or Pluralism? The organisation of development cooperation revisited* at the German Development Institute (DIE) in Bonn, October 10-11.

Boris Wiesenfarth presented the joint paper "A Symmetric Hotelling Model with Ambiguous Consumer Tastes" with **Florian Kauffeldt** (participating the discussion), at the *XIV. Symposium zur ökonomischen Analyse der Unternehmung*, University of Magdeburg, September 25-27.

Visitors

Julia Müller, Erasmus School of Economics, University of Rotterdam, is staying at the AWI for doing research with Peter Dürsch and Christiane Schwieren, October 23-28.

**Editorial deadline for issue 24/2013 of the newsletter:
Wednesday, October 30, 2013, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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