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## Upcoming Seminars

### Monday, 13.7.15

#### Departmental Seminar

17.15-18.45  
AWI 00.010

Mark Schelker, University of Fribourg  
(invited by Axel Dreher)  
"Lame Ducks and Divided Government:  
How Voters Control the Unaccountable Discrimination"

### Tuesday, 14.7.15

#### Economics & Politics Seminar

13.30-14.30  
AWI 02.036

Michael Bauer, University of Speyer  
"The EU Budget Process after Lisbon: How the European  
Parliament Lost Power and How It May Compensate  
(Somewhat) for It"

### Wednesday, 15.7.15

#### Internal Seminar

12.15-13.15  
AWI 00.010

Daniel Heyen  
"Strategic Conflicts on the Horizon: R&D Incentives for  
Environmental Technologies"

### Wednesday, 15.7.15

#### Macro & Econometrics Seminar

15.00-16.00  
AWI 00.010

Onno Kleen  
"Predicting Volatility Using Mixed Frequency Data?"

### Departmental Seminar

Mark Schelker

"Lame Ducks and Divided Government: How Voters Control the Unaccountable"

Divided government is not only the outcome of moderate voters' electoral decision to balance party ideology in government but of voters' more general reaction to a systematic control problem. Voters realize that term limited executives ("lame ducks") cannot be held accountable due to missing re-election incentives. By dividing government control voters force a lame duck to compromise on policies with an opposing legislature and restrict the executive's ability to extract rents. Based on data from the US states, I present empirical evidence showing that the probability of divided government is 8 to 12 percent higher when governors are lame ducks. This is (indirect) evidence of the ability of voters to make coherent electoral decisions.

### Economics & Politics Seminar

Michael Bauer

"The EU Budget Process after Lisbon: How the European Parliament Lost Power and How It May Compensate (Somewhat) for It"

At first glance, the Lisbon Treaty is another milestone in the European Parliament's quest to increase its powers – also with regard to the budget, where it has been put on an equal formal footing with the European Council in the annual budget procedure. First assessments show, however, that this view fails to hold true for all aspects of the budget process. Against this background, this paper takes a closer look at the four major elements of this process – raising revenues through the 'own resources' system, multi-annual financial planning, annual budgeting and implementation – so as to ascertain the European Parliament's standing vis-à-vis other institutions. It shows that this body's powers depend not only on formal rights, but also on its ability to act collectively and make use of analytical capacities. In contrast to portrayals of the European Parliament as the 'big winner' of the Lisbon Treaty, we find that its powers in the budget process have been weakened, and also that it lacks adequate analytical capacities to partially compensate for this procedural loss.

### Internal Seminar

Daniel Heyen

"Strategic Conflicts on the Horizon: R&D Incentives for Environmental Technologies"

Technological innovation is a key strategy for tackling environmental problems. The required R&D expenditures however are substantial and fall on self-interested countries. Thus, the prospects of successful innovation critically depend on innovation incentives. This paper focuses on a specific mechanism for strategic distortions in this R&D game. In this mechanism, the outlook of future conflicts surrounding technology deployment directly impacts on the willingness to undertake R&D. Apart from free-riding, a different deployment conflict with distortive effects on innovation may occur:

Low deployment costs and heterogeneous preferences might give rise to 'free-driving'. In this recently considered possibility (Weitzman 2012), the country with the highest preference for technology deployment, the free-driver, may dominate the deployment outcome to the detriment of others. The present paper develops a simple two stage model for analyzing how technology deployment conflicts, free-riding and free-driving, shape R&D incentives of two asymmetric countries. The framework gives rise to rich findings, underpinning the narrative that future deployment conflicts pull forward to the R&D stage. While the outlook of free-riding unambiguously weakens innovation incentives, the findings for free-driving are more complex, including the possibility of super-optimal R&D and incentives for counter-R&D.

## Macro & Econometrics Seminar

Onno Kleen

"Predicting Volatility Using Mixed Frequency Data?"

"This paper examines statistical properties of the multiplicative GARCH-MIDAS model introduced by Engle et al. (2013) and provides an application for long-term Value-at-Risk forecasting. In a GARCH-MIDAS model, returns are modeled as the product of a unit variance GARCH model, representing short-time fluctuations in volatility, and a long-term component based on an external covariate, representing fundamental changes in macroeconomic market conditions. First, we show that the GARCH-MIDAS framework captures two stylized facts in financial returns. These are heavy-tailed return distributions and the long memory in squared return series. Second, we examine the impact of the long-term component on the expected goodness of fit of a Mincer-Zarnowitz regression. This measure of forecast performance may increase with the variance of the long-term component. Hence, evaluation of forecasts based on the coefficient of determination may be misleading. Subsequently, it is shown that an omitted persistent can cause the IGARCH effect. Given that our model anticipates overall changes in stock-market volatility, we propose an application of the GARCH-MIDAS framework in multi-period Value-at-Risk estimation."

## Talks and Research Visits

**Stefan Trautmann** gave a talk "Ambiguity attitude = Ambiguity Aversion?" at the Department of Economics, University of Hamburg, July 2.

**Christina Gathmann** presented the paper "Citizenship and the Social Integration of Immigrants" at the Annual Conference of the European Society for Population Economics (ESPE) in Izmir on June 18. She also presented the paper "Spillover Effects in Local Labor Markets: Evidence from Mass Layoffs" at the International Workshop "Natural Experiments and Controlled Field Studies" in Ohlstadt/Ammersee on June 13 and at the Fourth SOLE/EALE World Meetings in Montreal on June 27.

**Verena Lauber** presented the paper "The Effects of Family-Friendly Firm Policies on Parental Well-Being and Working Time" at the 14<sup>th</sup> Journées Louis-André Gérard-Varet Economic Conference in Aix-en-Provence on June 16 and at the Annual Conference of the European Society for Population Economics (ESPE) in Izmir on June 18.

**Anna Busse** presented the paper "The Effects of Free Childcare on Labor Supply and Children" at the International Workshop of the Applied Economics of Education in Catanzaro on June 16, at the Annual Conference of the European Society for Population Economics (ESPE) in Izmir on June 19 and at the Fourth SOLE/EALE World Meetings in Montreal on June 27.

**Nicolas Keller** presented the paper "Citizenship and the Social Integration of Immigrants: Evidence from Germany's Immigration Reforms" at the Fourth SOLE/EALE World Meetings in Montreal on June 27.

## New and Leaving Staff

After a short exit into consulting **Andreas Reischmann** (room 01.006) is starting again at the AWI as PostDoc of Jörg Oechssler in July. We are happy to welcome him back.



## Miscellaneous

**Anna Busse** and **Alexander Glas** were presented with this year's Alfred-Weber-Award for excellence in teaching by the economics students association of the Alfred-Weber-Institute for economics, University of Heidelberg. Congratulations!

**Editorial deadline for issue 19/2015 of the newsletter:  
Wednesday, July 15, 2015, 12 o'clock  
newsletter@awi.uni-heidelberg.de**

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