



Upcoming Seminars

Monday, 6.6.2016

Departmental Seminar

17.15-18.15
AWI 00.010

Noam Yuchtman, University of UC-Berkeley, Haas School of Business
(invited by Christine Binzel)
"Do Close Elections Cause Voters to Turnout? Evidence from Swiss Referend"

Tuesday, 7.6.2016

Special Seminar

12.00-13.00
AWI 01.030

Eyal Ert, Hebrew University Jerusalem
(invited by Stefan Trautmann)
"From Anomalies to Forecasts: Toward a Descriptive Model of Decisions under Risk, under Ambiguity, and from Experience"

Tuesday, 7.6.2016

Economics and Politics Seminar

13.45-14.45
AWI 01.030

Michaël Aklin, University of Pittsburgh
"Moral Hazard and Financial Crises: Evidence from US Troop Deployments"

Wednesday, 8.6.2016

Internal Seminar

12.15-13.15
AWI 00.010

Matthias Hartmann
"When Does Information on Forecast Variance Improve the Performance of a Combined Forecast?"

Departmental Seminar

Noam Yuchtman

"Do Close Elections Cause Voters to Turnout? Evidence from Swiss Referend"*

Voter turnout is among the political behaviors of greatest interest to social scientists, but remarkably little is known about the underlying mechanisms behind the decision to vote. A fundamental question is whether voters turn out more when they anticipate a closer election. While theory suggests that anticipated closeness might cause higher turnout, identifying a causal effect is extremely difficult. For example, a spurious association between closeness and turnout may simply be due to "issue type": the intensity of voters' preferences (and so willingness to turnout) may systematically vary with an issue's support within the population. In this paper, we exploit natural variation in the existence and dissemination of political polls across time and space to identify the causal effect of anticipated election closeness on turnout. Specifically, we examine Swiss voting in national referenda; national-level polls predicting election closeness were introduced in 1998. We exploit three levels of variation: first, in the time series, using variation in closeness and in the existence of polls across elections, we find that the link between ex post closeness and turnout is significantly stronger after the introduction of polls. Second, in a canton-level panel, we exploit within-election variation -holding fixed the "issue type"- by examining the effect of close polls in places with differential newspaper coverage of polls. We find (controlling for election and canton fixed effects) that close polls differentially increase turnout specifically in cantons with greater newspaper poll coverage. To address concerns about endogenous poll coverage, we exploit variation in newspaper readership of periodicals whose biggest market is outside the canton of interest, and our findings continue to hold. Third, we exploit local variation in political homogeneity using a municipality-level panel. Homogeneous municipalities (where everyone historically voted the same way across votes) have much more to learn from national polls, since their "local" signal rarely, if ever, indicates a close national election. Indeed, we find that controlling for municipality and election fixed effects, close polls differentially increase turnout in historically-homogeneous municipalities. These findings represent, to our knowledge, the first evidence based on observational data that causally links election closeness -purged of cross-election issue differences-to voter turnout.

*with Leonardo Bursztyn, Davide Cantoni, Patricia Funk

Special Seminar

Eyal Ert

"From Anomalies to Forecasts: Toward a Descriptive Model of Decisions under Risk, under Ambiguity, and from Experience"

Experimental studies of choice behavior document distinct, and sometimes contradictory, deviations from maximization in different settings and experimental paradigms. Specifically, different behavioral phenomena emerge in decisions under risk and decisions under ambiguity, in decisions from description and decisions from experience, and in choices between binary gambles and choices between multi-outcome gambles. Previous research addresses these distinctions by proposing

different models that assume different processes and rely on different theoretical approaches to capture the different anomalies. This paper evaluates an alternative solution by developing a general model that captures the coexistence and relative importance of the contradicting tendencies shown to emerge in different settings. Three steps were taken to reduce the risk of overfitting the data. First, we replicated 14 classical anomalies in one experimental paradigm. Next, we studied 60 problems randomly selected from a space that includes all problems examined in the replication study. Finally, to exclude arbitrary selection of feasible models, an open choice prediction competition was organized. The organizers (the first three co-authors) presented their favorite model and challenged other researchers to develop better models. Models were evaluated based on their predictions of 60 new problems. The results suggest that the classical "pre-feedback" phenomena are replicable, but that feedback eliminates most of them, and instigates the choice of the prospect that minimizes the probability of regret. The models that best capture the results assume: (a) high sensitivity to the best estimates of the expected values, (b) the use of several feedback-dependent heuristics, and (c) reliance on small samples.

Economics and Politics Seminar

Michaël Aklin

"Moral Hazard and Financial Crises: Evidence from US Troop Deployments"

International lenders of last resorts are often accused to create financial instability because they generate moral hazard. The evidence for this is thin and plagued with measurement error. Examining the case of the US, we use the number of American troops hosted by third countries to measure how strongly the US is committed to them. We find that increasing the number of US troops by one standard deviation above the mean raises the probability of a financial crisis in the host country by about 12 to 14 percentage points. We also investigate the channels through which moral hazard materializes. Countries with more US troops conduct more expansionary fiscal and monetary policies, implement riskier financial regulations, and receive more capital, especially from US banks. These findings are inconsistent with reverse causality.

Internal Seminar

Matthias Hartmann

"When Does Information on Forecast Variance Improve the Performance of a Combined Forecast?"*

Forecast surveys such as the Survey of Professional Forecasters (SPF) provide cross sections of density forecasts for macroeconomic variables including output growth, inflation or unemployment. Two widely employed measures for the ex-ante uncertainty of forecasts are the average across individual variances on the one hand and the cross sectional dispersion of point forecasts ("disagreement") on the other hand. In this study, we compare the informative content of these statistics and ask under which circumstances they can be used to reduce the mean squared error of a combined forecast. We show that forecast precision can be enhanced if individual forecasters' objectives are characterized by the asymmetric "Linex-"loss function.

Then, the average individual variance provides also the most predictive content. Moreover, we provide empirical evidence for these considerations based on data from the SPF.

*with Christian Conrad

Visitors

Eyal Ert, Hebrew University Jerusalem, will stay at the AWI for research visit with Stefan Trautmann (room 01.016) June 6-7.

Christian Bjørnskov, professor of economics at Aarhus University and also affiliated with the Research Institute of Industrial Economics (IFN) in Stockholm, stays at the AWI for research visit with Axel Dreher during June and July (room 01.012a). His main research interests are public choice / political economy and development economics. He has also published papers on happiness and the social trust.



New Working Papers

Tamila Levoshko: "Wie beeinflussen die politische Lage und FDI das Wirtschaftswachstum? Empirische Evidenz für die Ukraine und Polen", AWI Discussion Paper Series, No 615, May 2016.

**Editorial deadline for issue 13/2016 of the newsletter:
Wednesday, 8.6.2016, 2016, 12 p.m.
newsletter@awi.uni-heidelberg.de**

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