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Upcoming Seminars

Monday, 30.1.2017

Departmental Seminar

17.15-18.15

AWI 00.010

Ferdinand Rauch, University of Oxford

(invited by Axel Dreher)

"The benefits of forced experimentation: Striking evidence from the London Underground Network"

Tuesday, 31.1.2017

Economics and Politics Seminar

13.45-14.45

AWI 01.030

Christina L. Davis, Princeton University

"Deterring Disputes: WTO Dispute Settlement as a Tool for Conflict Management"

Wednesday, 1.2.2017

Internal Seminar

12.15-13.15

AWI 00.010

Michael Schleicher

"Favoritism and Discrimination in Local Political Decision Making - Evidence from Burkina Faso"

Wednesday, 1.2.2017

Macro & Econometrics Seminar

17.00-18.00

AWI 01.030

Christopher Zuber

"The effect of recessions on estimates for potential output"

Thursday, 2.2.2017

Lecture Series: The End of Globalization?

18.00-19.30

Christina L. Davis, Princeton University

Campus Bergheim
Hörsaal

"Entry and Exit: How Membership in International Organizations Transforms International Cooperation"

Abstracts

Departmental Seminar

Ferdinand Rauch

"The benefits of forced experimentation: Striking evidence from the London Underground Network"

We estimate that a significant fraction of commuters on the London underground do not travel on their optimal route. We show that a strike on the underground, which forced many commuters to experiment with new routes, brought lasting change in behavior. This effect is stronger for commuters who live in areas where the underground map is more distorted, thereby pointing towards the importance of informational imperfections. The information produced by the strike has improved network-efficiency. Search costs are unlikely to explain the suboptimal behavior. As commuters seem to underexperiment, constraints imposed on them can be welfare improving.

Economics and Politics Seminar

Christina L. Davis

"Deterring Disputes: WTO Dispute Settlement as a Tool for Conflict Management"

This paper examines WTO dispute settlement to assess the role of courts to solve disputes and prevent future incidents. First, the process of selecting cases to escalate in the legal venue reveals information about the preferences of states and mobilizes reputation stakes that increase the likelihood of settlement in specific cases. Second, the formal dispute mechanism exerts broader impact through deterrence when the adjudication of one case leads to other countries reforming policies. Each dispute case clarifies interpretation of the law and enhances the credibility of enforcement. The effectiveness of WTO dispute settlement to resolve disputes is tested with statistical analysis of an original dataset of potential trade disputes coded from U.S. government reports on foreign trade barriers. Evidence shows that taking a dispute to the legal forum brings policy change in comparison with outcomes achieved in bilateral negotiations. In addition, past WTO disputes shape the subsequent pattern of trade barriers. Looking more broadly, the declining frequency of complaints filed by all members from 1995 to 2015 is consistent with the deterrence argument. While some areas of law encounter repeat litigation, standards and new agreements have shown more resilient enforcement. Furthermore, analysis of the filing patterns from 1975 to 2012 suggests that the increase of legalization in the WTO has established deterrence effects that were absent in the GATT period.

Internal Seminar

Michael Schleicher

"Favoritism and Discrimination in Local Political Decision Making - Evidence from Burkina Faso"

At the aggregated level, ethnic favoritism, where co-ethnics benefit from public policy decisions has been identified as a major challenge to economic development. In this study, we look at ethnic favoritism and discrimination within a decentralized policy intervention that allocates private benefits in 50 communities of northwestern Burkina Faso. By merging administrative data from the policy intervention with household data, we identify characteristics of the three local representatives within each community. This empirical setting allows us to test for ethnic favoritism, and to empirically explore its link with ethnic discrimination. Overall, we find evidence for positive discrimination of ethnic majority households. The result is clearly driven by allocation decisions made in urban communities. Further, we find that in highly fractionalized urban communities local committee members significantly favor co-ethnic households, leading to strong positive discrimination of ethnic majority households in the final allocation decision. The latter finding confirms an existing strand of literature, which finds that economic performance is hampered by ethno-linguistic fractionalization.

* with Aurélia Soares, Athanase N. Pacere, Rainer Sauerborn, and Stefan Klöner

Macro & Econometrics Seminar

Christopher Zuber

"The effect of recessions on estimates for potential output"

In the aftermath of the Great Recession of 2008–09 estimates of potential output were substantially revised downwards which renewed interest in macroeconomic hysteresis effects. We study the effect of recessions on the level of potential output based on a large real-time panel data set which covers 35 developed countries and 76 recessions over the recent 25 years. This approach allows us to identify the dynamic response of potential output estimates to recessions. We find that potential output levels are substantially revised after the first year of a recession. In many countries, potential output stays permanently and significantly below the trend projections made before a recession. In addition, we document correlations between the size of revisions in potential output and external imbalance, openness to trade, and the depth and length of recessions.

Talks and Research Visits

Christian Conrad presented the paper "Testing for an Omitted Long-Term Component in Multiplicative GARCH Models" (co-authored with Melanie Schienle) at the International Conference on Computational and Financial Econometrics, Seville, Spain, December 09-11, 2016, and in the Research Seminar of the Norwegian Business School, Oslo, January 11, 2017.

New Publications

Florian Diekert: "Threatening Thresholds? The effect of disastrous regime shifts on the non-cooperative use of environmental goods and services.", has been accepted at *Journal of Public Economics*.

New Working Papers

Dovern, J. and G. Kenny, 2017, [The Long-term Distribution of Expected Inflation in the Euro Area: What Has Changed since the Great Recession?](#), ECB Working Paper Series, No. 1999.

**Editorial deadline for issue 05/2017 of the newsletter:
Wednesday, February 1, 2017, 12 p.m.
newsletter@awi.uni-heidelberg.de**

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