



Upcoming Seminars

Monday, 15.5.2017

Departmental Seminar

17.15-18.15

AWI 00.010

Simeon Schudy, LMU, Munich

(invited by Gert Pönitzsch)

"Incentivizing Complex Problem Solving in Teams –
Evidence from a Field Experiment "

Tuesday, 16.5.2017

Economics and Politics Seminar

13.45-14.45

AWI 01.030

Marc Hallerberg, Hertie School of Governance

"So You Want a Bailout? Central banks and the fiscal costs
of financial crises "

Wednesday, 17.5.2017

Internal Seminar

12.15-13.15

AWI 00.010

Valentin Lang

"Room for Discretion? Biased Decision Making in
International Financial Institutions"

Wednesday, 17.5.2017

Macro & Econometrics Seminar

14.00-15.00

AWI 01.030

Christian Conrad

"On the economic determinants of optimal stock-bond
portfolios: international evidence"

Departmental Seminar

Simeon Schudy

"Incentivizing Complex Problem Solving in Teams – Evidence from a Field Experiment"

We document the causal effect of simple bonus incentives on performance in a non-routine, cognitively demanding, interactive team task. These tasks are more and more important in the economy and at the same time understudied. We conduct a field experiment and show a causal positive effect of incentives on the completion probability and the overall completion time of the task. Using several experimental treatment variations we shed light on the importance of different bonus components. We study the framing of bonuses (as gains or losses) and investigate whether bonus incentives work due to i) the monetary reward or ii) the reference performance bonus incentives provide. We also investigate the robustness of the effect in an additional sample and study the reactions to bonus incentives by differently composed teams. Finally, we shed light on how bonus incentives affect teams' willingness to explore in the non-routine task.

(joint with F. Englmaier, S. Grimm and D. Schindler)

Economics and Politics Seminar

Marc Hallerberg

"So You Want a Bailout? Central banks and the fiscal costs of financial crises"

Emergency liquidity assistance (ELA) can play an important role in reducing the severity of a bank failure and even a financial crisis. A domestic central bank provides it, though an international actor, such as the IMF and European Central Bank, may be able to provide it (or in the latter's case block it). We develop a framework for understanding the political economy of how ELA decisions are taken and with what effect on the following bank restructuring process. We argue that "government accounting regimes" strongly mediate the effect of a broad set of factors, including central bank mandates, international currency regimes, and political incentives, shaped by removal pressures on decisions to offer banks ELA as opposed to alternative support, such as guarantees. Our approach has important implications for understanding policy responses to financial crises. Contrary to established approaches, we argue that choosing ELA, even for insolvent banks, can speed up the process of cleaning up insolvent banks, conditional on how the government accounting rules incentivise public authorities. We find initial evidence for this process with case studies using interviews with policymakers and newly released documents from the United Kingdom and South Africa.

Internal Seminar

Valentin Lang

"Room for Discretion? Biased Decision Making in International Financial Institutions"

We exploit the degree of discretion embedded in the World Bank-IMF Debt Sustainability Framework (DSF) to understand the decision-making process of international financial institutions. The unique, internal dataset we use covers the universe of debt sustainability analyses conducted between December 2006 and January 2015 for low-income countries. These data allow us to identify cases where the risk rating implied by the application of the DSF's mechanical rules was overridden to assign a different official rating. Our results show that both political interests and bureaucratic incentives influence the decision to intervene in the mechanical decision-making process. Countries that are politically aligned with the institutions' major shareholders are more likely to receive an improved rating; especially in election years and when the mechanical assessment is not clear-cut. These results suggest that the room for discretion international financial institutions have can be a channel for informal governance and a source of biased decision-making.

Macro & Econometrics Seminar

Christian Conrad

"On the economic determinants of optimal stock-bond portfolios: international evidence"

Using a modified DCC-MIDAS specification that allows the long-term correlation component to be a function of multiple explanatory variables, we show that the stock-bond correlation in the US, the UK, Germany, France, and Italy is mainly driven by inflation and interest rate expectations as well as a flight-to-safety during times of stress in financial markets. Based on the new DCC-MIDAS model, we construct stock-bond hedge portfolios and show that these portfolios outperform various benchmark portfolios in terms of portfolio risk. While optimal daily weights minimize portfolio risk, we find that portfolio turnover and trading costs can be substantially reduced when switching to optimal monthly weights.

Talks and Research Visits

Sarah Langlotz presented the paper "Does development aid increase military expenditure" (joint work with Niklas Potrafke) at the ZEW Public Finance and Development Conference, Mannheim, May 08-09 2017.

Timo Goeschl presented the paper "Does Mitigation Begin at Home?" at the Manchester Environmental Economics Workshop at Manchester University, May 4-5.

New Working Papers

Sebastian Renner, Jann Lay and Michael Schleicher (2017). The Effects of Energy Price Changes: Heterogeneous Welfare Impacts, Energy Poverty, and CO2 Emissions in Indonesia. GIGA Working Papers No. 302.

New Publications

Timo Goeschl and Johannes Lohse (now at Birmingham U.) are coauthors on the Registered Replication Report: Rand, Greene, and Nowak (2012) by S. Bouwmeester et al. in Perspectives on Psychological Science, DOI: 10.1177/1745691617693624 <https://doi.org/10.1177/1745691617693624>

**Editorial deadline for issue 11/2017 of the newsletter:
Wednesday, May 17, 2017, 12 p.m.
newsletter@awi.uni-heidelberg.de**

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please contact the address above.