



Upcoming Seminars

Monday, 7.6.2021

13.30-14.30
Virtual seminar room

Departmental Seminar

Maria Cubel, University of Bath
"Identity and Corruption: A Laboratory Experiment"

Wednesday, 9.6.2021

12.15-13.15
Virtual seminar room

Internal Seminar

Timo Goeschl
"Social Risk Effects: The 'Experience of Social Risk'
Factor"

Wednesday, 9.6.2021

14.00-15.00
Virtual seminar room

Macro & Econometrics Seminar

Christopher Zuber
"The Effect of the European Excessive Deficit Procedure
on Fiscal Spending Multipliers"

Departmental Seminar

Maria Cubel

"Identity and Corruption: A Laboratory Experiment"

This paper explores the role of identity in voters' decision to retain corrupt politicians. We build up a model of electoral accountability with pure moral hazard and bring it to the lab. Politicians must decide whether to invest in a public project with uncertain returns or to keep the funds for themselves. Voters observe the outcome of the project but not the action of the politician; if the project is unsuccessful, they do not know whether it was because of bad luck or because the politician embezzled the funds. We run two treatments; a control treatment and a treatment where subjects are assigned an identity using the minimal group paradigm. Our main result is that, upon observing a failed project, voters approve politicians of their same identity group significantly more often than in the control and compared to politicians of a different group. This is partially driven by an increased belief on the honesty of same-identity politicians. We also observe that subjects acting as politicians are much more honest than expected by the equilibrium prediction.

Internal Seminar

Timo Goeschl

"Social Risk Effects: The 'Experience of Social Risk' Factor"*

People treat statistically equivalent risks as non-equivalent when the source of the risk differs. This is the core message of the so-called 'Social Risk Premium', established and repeatedly validated in the trust game paradigm (Bohnet et al. AER 2008). We propose a new social risk effect, the 'experience of social risk' factor (ESRF): Decision-making is more strongly affected by the experience of an adverse event when social, rather than natural, risk is the source. Evidence for the ESRF comes from online experiments ($n = 3,992$) using a modified two-player chicken game in which participants are exposed to statistically equivalent natural and social risks of an adverse event. There are two rounds with random re-matching of players. Experiencing an adverse event whose source is another person doubles the rate of behavioral change after the first round, compared to when the source is nature. We find that the presence of an ESRF strictly requires both a person as a co-player and deliberate exposure to social risk. The ESRF demonstrates that social risk effects can be identified in paradigms that differ in core features from the trust game. We discuss implications, potential drivers and the challenges for a unifying theory of social risk effects.

*with Florian Diekert and Christian König-Kersting

Macro & Econometrics Seminar

Christopher Zuber

"The Effect of the European Excessive Deficit Procedure on Fiscal Spending Multipliers"*

The Excessive Deficit Procedure (EDP) is the corrective arm of European fiscal governance. Using a panel of European countries and state-dependent local projections, we document that cumulative fiscal multipliers are larger for countries in the EDP. That is, the procedure increases the effectiveness of fiscal stimulus. This result is mainly driven by decreasing interest rates and a substantial crowding-in of private investment in response to a positive fiscal spending shock. Multipliers in the EDP are even larger in bad times, indicating that the procedure is particularly effective under these circumstances. We show that being in the EDP is not simply a proxy for a weak fiscal position or a recessionary episode. In addition, we find that policy makers tend to underestimate fiscal multipliers in real time. The results suggest that the EDP is functional and that fiscal stimulus is an appropriate instrument to return on a path towards sustainable public finances for the countries in the procedure.

*with David A. Vespermann

Virtual Talks

Christoph Vanberg gave a talk on "Promises and Opportunity Cost" (with Arjun Sengupta), at the *Economics and Psychology Seminar*, Paris School of Economics, Friday, May 28.

New Working Papers

Marco Lambrecht, Andis Sofianos, and Yilong Xu: "Does mining fuel bubbles? An experimental study on cryptocurrency markets", AWI Discussion Paper Series no. 703, May 2021.

John Cruzatti C.: "Free Trade Agreements and Development: a Global Analysis with Local Data", AWI Discussion Paper Series no. 702, May 2021.

Miscellaneous

John Cruzatti C., former PhD student at the chair of Axel Dreher, successfully defended his doctoral theses on „Geography, Economics, and Power: Global Assessments of Development with Geo-Referenced Data", May 31.

Editorial deadline for issue 12/2021 of the newsletter:
Wednesday, 9.6. 2021, 12 p.m.
newsletter@awi.uni-heidelberg.de