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AWI This Week

Monday, 25.11.13

Departmental Seminar

17.15-18.45

Mario Jametti, Università della Svizzera Italiana

AWI 00.010

"Elections and de facto Expenditure Decentralization
in Canada"

Tuesday, 26.11.13

Economics & Politics Seminar

14.15-15.15

Roland Hodler, University of Lucerne

AWI 02.036

"The Effects of Voting Costs on the Democratic Process
and Public Finances"

Wednesday, 27.11.13

Internal Seminar

12.15-13.15

Andreas Fuchs and Kai Gehring, University of Heidelberg

AWI 00.010

"Is There a Home Bias in Sovereign Ratings?"

Departmental Seminar

Mario Jametti

"Elections and de facto Expenditure Decentralization in Canada"*

This paper empirically investigates the underlying determinants of expenditure decentralization, based on the predictions of a new political economy model of partial expenditure decentralization. The analysis is based on an agency model, in which two levels of government are involved in the provision of a public good and voters are imperfectly informed about each government's contribution to the good, creating a shared accountability problem. Under shared expenditure responsibility, the degree of decentralization is endogenous and depends on the relative political conditions prevailing at each level of government. Consistent with the model's predictions, empirical results from a panel of Canadian provinces show that decentralization in a province increases with the electoral strength of the provincial government and decreases with the electoral strength of the federal government, in addition to being affected significantly by the partisan affiliation of both levels of government. A series of alternative empirical specifications, including an IV regression exploiting campaign spending data, are presented to assess the robustness of these results.

*with Marcelin Joanis

Economics & Politics Seminar

Roland Hodler

"The Effects of Voting Costs on the Democratic Process and Public Finances"

Increasing the attractiveness of voting is often seen as a remedy for unequal participation and the influence of special-interest groups on public policy. However, lower voting costs may also bring less informed citizens to the poll, thereby inviting efforts to sway these voters. We substantiate this argument in a probabilistic voting model with campaign contributions. In an empirical analysis for the 26 Swiss cantons, we find that lower voting costs due to postal voting are related to higher turnout, lower average education and political knowledge of participants as well as lower government welfare expenditures and lower business taxation.

Internal Seminar

Andreas Fuchs and Kai Gehring

"Is There a Home Bias in Sovereign Ratings?"

Credit rating agencies are exposed to the criticism that their sovereign ratings decisions do not accurately reflect the economic and political fundamentals of rated countries. This article discusses how the headquarter location of rating agencies and their major shareholders' nationality might influence rating outcomes. Using data from nine agencies based in six countries, we investigate empirically whether there is systematic evidence for a home bias in sovereign ratings. Specifically, we use dyadic panel data to test whether, all else being equal, agencies assign better ratings to their home country, as well as to countries economically, politically and culturally aligned with it. Our results provide empirical support for such a home bias in sovereign ratings, which becomes more accentuated since the onset of the Global Financial Crisis and appears to be driven by economic and cultural ties, not geopolitics.

Talks and Research Visits

Jörg Oechssler presented the paper "Mechanical Ambiguity" (with Alex Roomets) at the Tinbergen Institute Amsterdam, November 18.

Zeno Enders presented the paper "Growth expectations, undue optimism, and short-run fluctuations" at the New School in New York, November 12, and he attended the PIAAC Invitational Research Conference: *The Importance of Skills and How to Assess Them*, organized by the OECD and ETS, in Washington, D.C., November 13-15.

Kai Gehring presented his paper „Geopolitics, Aid, and Growth“ (joint work with Axel Dreher and Vera Eichenauer) at the 2013 annual meeting of the International Political Economy Society at Claremont Graduate School, October 25, and at the Northeast Universities Development Consortium Conference 2013 at Harvard University, November 3.

Malte Faber was invited to give a key-lecture on "Environmental Education in the PR China. An Ecological Economic Perspective" at the conference *Growth - Transformation - Reform -Emerging Economies in the Next decade* of the thinktank *China Institute for Reform and Development*, Haikou, Heinan, PR China on November 1.

New Publications

Hannes Koppel: "Is Regulation by Milestones Efficiency Enhancing? - An Experimental Study of Environmental Protection" (with Andreas Freytag, Werner Güth and Leo Wangler) has been accepted for publication in *European Journal of Political Economy*.

Miscellaneous

Christoph Brunner wrote an article in *Ruperto Carola* about the research project "Wise Crowds or Wise Minorities?", November 2013.

Axel Dreher has been appointed as Research Fellow of the Centre for Economic Policy Research (CEPR), as member of the Scientific Committee of the Swiss Network for International Studies (SNIS) and as an Editorial Board member of *Defence and Peace Economics*.

Malte Faber and Thomas Petersen were asked by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to give the a course on "Application of Environmental Policy with Case Studies on Water, Waste and the German Energy Turnaround" for senior executive managers at *The Party School of the CPC-Commission of the Province Jiangxi* in Nanchang from November 4 to 7.

**Editorial deadline for issue 28/2013 of the newsletter:
Wednesday, November 27, 2013, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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