



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
BERGHEIMER STR. 58, 69115 HEIDELBERG, TEL. 06221/54-2941, FAX: 06221/54-3592
REDAKTION: FREYA SCHADT, EMAIL: NEWSLETTER@AWI.UNI-HEIDELBERG.DE

Upcoming Seminars

Monday, 18.5.15

Departmental Seminar

17.15-18.45
AWI 00.010

Anastasios Xepapadeas,
Athens University of Economics and Business
"Optimal Control in Space and Time and the Management
of Environmental Resources"

Tuesday, 19.5.15

Economics & Politics Seminar

13.30-14.30
AWI 02.036

Michael Jetter, Universidad EAFIT, Medellin, Colombia
"Playing with fire: The dangerous interplay between terrorism
and the media"

Wednesday, 20.5.15

Internal Seminar I

12.15-13.15
AWI 00.010

Kai Gehring
"Crime, incentives and political effort: a model and empirical
application for India"

Wednesday, 27.5.15

Internal Seminar II

12.15-13.15
AWI 00.010

Anna Merkel
"Fast and fair? An experimental comparison of two theories"

Departmental Seminar

Anastasios Xepapadeas

"Optimal Control in Space and Time and the Management of Environmental Resources"

We present methods and tools that can be used to study dynamic environmental resource management in a spatial setting, to explore spatially dependent regulation, and to understand pattern formation. In particular, we present the maximum principle and its use in the context of the emerging frontier of applications of optimal control of diffusive transport processes to environmental and resource economics. We show how optimal spatiotemporal control induces pattern formation and how deep uncertainty with a spatial structure can be handled with spatial robust control methods. Finally, we show how models with diffusive transport can be extended to allow for long-range effects and more general transport mechanisms.

* with A.N. Yannacopoulos

Economics & Politics Seminar

Michael Jetter

"Playing with fire: The dangerous interplay between terrorism and the media"

This paper analyzes whether media attention devoted to terrorist attacks causes future attacks. I generate a data set that measures the number of New York Times articles mentioning the attacked country on the initial attack day, producing over 60,000 observations from 1970 to 2012. A generic OLS regression of the number of ensuing attacks in the following seven days on the number of NYT articles suggests that one additional article is associated with an increase of 1.3 percent in upcoming attacks. This result controls for potentially confounding determinants of terrorism, such as the number of previous attacks, number of victims, civil liberties, income levels, conflicts, but also fixed effects for attack types, target types, weapon types, and countries. However, this estimation is likely to suffer from severe endogeneity problems. I then use natural disasters in the United States as an exogenous variation to predict media attention devoted to contemporaneous terror attacks in any other country. As expected, when the US suffers from a natural disaster media coverage of terrorist attacks around the world is much reduced. However, it is unlikely that natural disasters are in any other way related to terrorism in, say, Afghanistan. A simultaneous estimation of future terrorist attacks and media attention devoted to initial attacks then suggests that a one standard deviation in NYT articles (four articles) increases the number of future attacks by ten percent, everything else equal. This finding strongly advises against sensationalism and giving terrorists free advertisement by providing extended media coverage.

Internal Seminar I

Kai Gehring

"Crime, incentives and political effort: a model and empirical application for India"

The large share of politicians facing criminal accusations in India has sparked a public debate and an emerging literature that assesses its causes and effects. We develop a model of the incentives faced by members of parliament when deciding whether to engage in effort for their constituency to assess the effect of their having a criminal background on their decision. We use direct and clearly identifiable measures of effort in the 14 Lok Sabha over the 2004-2009 legislative period: attendance rates, parliamentary activity, and utilization rates of a local area development scheme. The findings suggest that criminal MPs exhibit on average about 5% lower attendance rates and lower utilization rates, but no difference in parliamentary activity. The results depend on the development level of the constituency, a proxy for rent-seeking possibilities and monitoring intensity, as well as on the measurement of criminal background. We use selection on observables, matching techniques, and treatment effect regressions to demonstrate why these negative relations should constitute an upper bound estimate for the causal effect of criminality and to show they are unlikely to be driven by selection on unobservables.

Internal Seminar II

Anna Merkel

"Fast and fair? An experimental comparison of two theories"

Recently, several authors have claimed that different levels of deliberation explain the presence of cooperative and selfish behavior in Public Good Games. While cooperative choices are seen to reflect intuitive or fast reasoning, selfish choices are seen to reflect deliberative or slow reasoning. If true, this theory implies that fast choices should always be associated with higher levels of cooperation. An alternative theory proposes that the benefits of cooperation determine whether cooperative choices are faster than selfish choices. If true, this theory implies that fast choices can be associated with cooperative or selfish choices, depending on the payoff structure.

We conduct an experiment to distinguish between these two alternative theories. We observe choices in three different Prisoners Dilemmas, in which we vary the benefits of cooperation. For each subject we collect these choices twice. First, subjects decide under time pressure, thus constrained in their ability to exert deliberation over their choices. Second, subjects decide under time delay, thus incentivized to exert deliberation over their choices. The design of the experiment allows us to test the predictions of both theories by comparing within- and between-subject behavior.

Talks and Research Visits

At the **International Conference on Globalization and Development**, University of Goettingen, May 11-12 the following papers were presented: **Andreas Fuchs**: "Aid on Demand: African Leaders and the Geography of China's Foreign Assistance" ; **Kai Gehring**: "Crime, Incentives and Political effort: A Model and Empirical Application for India"; **Sarah Langlotz**: "Aid and Growth. New Evidence Using an Excludable Instrument"; **Katharina Richert**: "Who Is The Development Minister and Does (S)he Matter?"; **Alexandra Rudolph**: "Social Pension around the World: Determinants of Adoption and Persistence".

Thomas Petersen and **Malte Faber** gave a lecture on "Die Finanzkrise als Bestätigung der Marxschen Kapitalanalyse?", Museum Karl-Marx-Haus, Trier, May 5.

Stefan Trautmann gave a talk on "Belief elicitation: a horse race among truth serums", at the THEEM experimental workshop, Konstanz, April 23.

New Publications

Trautmann, S. T. and G. van de Kuilen (2015). Reserve Price and Competing Bids: Reference Points for Product Evaluations in Online Auctions? *Journal of Consumer Behaviour*, forthcoming.

Miscellaneous

Zeno Enders became a Fellow member of the Centre of Economic Studies network (CESifo).

**Editorial deadline for issue 12/2015 of the newsletter:
Wednesday, May 27, 2015, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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