



Upcoming Seminars

Monday, 14.12.15

Departmental Seminar

17.15-18.15

Lars Metzger, TU Dortmund (invited by Zeno Enders)

AWI 00.010

"Non-cooperative games with prospect theory players and dominated strategies"

Tuesday, 15.12.15

Economics and Politics Seminar

13.45-14.45

Martin Elff, Zeppelin Universität Friedrichshafen

AWI 02.036

"Identifying and Explaining Tactical Votes in Plurality Elections: A Finite Mixture Approach"

Wednesday, 16.12.15

Internal Seminar

12.15-13.15

Valentin Lang

AWI 00.010

"The Democratic Deficit and its Consequences: The Causal Effect of IMF Programs on Inequality"

Wednesday, 16.12.15

Macro and Econometrics Seminar

17.00-18.00

Matthias Hartmann

AWI 01.034

"Disagreement, Uncertainty and Monetary Policy"

Monday, 21.12.15

Internal Seminar

17.15-18.15

Gert Pönitzsch

AWI 00.010

"Bundling Public with Private Goods"

Departmental Seminar

Lars Metzger, TU Dortmund

"Non-cooperative games with prospect theory players and dominated strategies" *

We investigate a framework for non-cooperative games in normal form where players have behavioral preferences following Prospect Theory (PT) or Cumulative Prospect Theory (CPT). On theoretical grounds CPT is usually considered to be the superior model, since it normally does not violate first order stochastic dominance in lottery choices. We find, however, that CPT when applied to games may select purely dominated strategies, while PT does not. For both models we also characterize the cases where mixed dominated strategies are preserved and where violations may occur.

*with Marc Oliver Rieger

Economics and Politics Seminar

Martin Elff, Zeppelin Universität Friedrichshafen

"Identifying and Explaining Tactical Votes in Plurality Elections: A Finite Mixture Approach"

Voters' propensities to vote tactically is the main component of what Duverger calls the "psychological effect" of electoral systems. Electoral research has therefore given considerable attention to the amount of tactical voting and its consequences for electoral results. Despite the importance of the topic, research on tactical voting has not yet reached a consensus on how to measure it. The present paper proposes a finite-mixture discrete-choice model for the reconstruction of voting calculi, which makes possible to explicitly specify the calculi of different voting types and to derive individuals' posterior probabilities to have used any of these. It is further shown how maximum marginal likelihood estimates of the model parameters can be computed via an expectation maximization (EM) algorithm. The model is applied to the case of the 2010 UK general election. It is shown that the proportion of tactical votes reconstructed from constituency data and observed choices is close the proportion of tactical votes reconstructed in terms of voters' stated motives, but does not suffer from the measurement error that stated motives seem to exhibit. The paper also briefly discusses the application of the model to ticket-splitting in mixed electoral systems.

Internal Seminar

Valentin Lang

"The Democratic Deficit and its Consequences: The Causal Effect of IMF Programs on Inequality"

This study investigates whether the 'democratic deficit' of international organizations has adverse distributional consequences. It addresses this question empirically by examining the causal effect of International Monetary Fund (IMF) programs on income inequality. Introducing a new instrumental variable for IMF programs, I exploit time

variation in the IMF's liquidity and cross-sectional variation in a country's probability of having a lending arrangement with the IMF. Using panel data for 155 countries over the 1973 – 2013 period, the results show that IMF programs substantially increase inequality in democracies, while having no such effect in non-democracies. The size of the effect declines as IMF decision-making becomes more democratic and open to societal actors. These results support the theory that democratically deficient international organizations restrict the political autonomy of domestic democratic governance.

Macro and Econometrics Seminar

Matthias Hartmann

"Disagreement, Uncertainty and Monetary Policy"

Two popular means to quantify inflation uncertainty are the average of individual variances from a cross section of density forecasts and the cross-sectional variance of point forecasts ("disagreement"). A widely employed forecast error component model shows that average uncertainty can be decomposed into the variance of forthcoming shocks common to all forecasters and the disagreement (Davies and Lahiri 1995, Lahiri and Sheng, 2010). We examine the evolution of both measures by means of data from the Survey of Professional Forecasters by the European Central Bank. Examining the mutual relation between inflation uncertainty and disagreement, we first confirm empirically the implication of the theoretical model by Lahiri and Sheng (2010) that disagreement is an incomplete approximation to overall uncertainty.

Second, both measures are related to both macroeconomic conditions and indicators of monetary policy. Most importantly, average individual inflation uncertainty is higher during periods of negative deviations from a rule-based interest rate policy, whereas disagreement is higher during periods of positive deviations.

Internal Seminar (Monday, 21.12.15)

Gert Pönitzsch

"Bundling Public with Private Goods"*

Firms increasingly tie charitable donations to their products, offer green products, or apply fair trade practices. We analyze consumer valuation for such products that combine characteristics of both public and private goods. In a laboratory experiment, subjects may purchase a private and a public good either separately or in the form of a bundle. The data show superadditivity for bundles of public and private goods, i.e., the willingness to pay for the bundle exceeds the willingness to pay for the two separate goods. By contrast, we find no superadditivity in control treatments with private goods only. We discuss several behavioral concepts in line with our result.

*with Gerrit Frackenhohl, University of Bonn

Talks and Research Visits

Zeno Enders presented the paper "Growth expectations, undue optimism, and short-run fluctuations" at the VJE Seminar of the Institute for Advanced Studies in Vienna, December 10.

Axel Dreher participated at the European Development Network Scientific Conference, Oslo, December 3-5.

Andreas Reischmann gave a talk on "Conditional Contribution Mechanisms for the Provision of Public Goods in Dynamic Settings - Theory and Experimental Evidence" at the *Workshop on Economics and Finance* Seminar, KIT, Karlsruhe, December 3.

Malte Faber was invited to give a lecture on "The picture of humankind in ecological economics" at the University of Freiburg, December 2.

**We wish a pleasant holiday season and
a healthy prosperous New Year 2016**

Editorial deadline for issue 01/2016 of the newsletter:

**Wednesday, January 6, 2015, 12 p.m.
newsletter@awi.uni-heidelberg.de**

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please contact the address above.