Annual Meeting of the Austrian Economic Association

European Integration: Quo Vadis?

May 10-11, 2013
University of Innsbruck, SoWi Building

http://www.uibk.ac.at/news/noeg2013/

Photos: University of Innsbruck; EZB

Conference Program

Annual Meeting of the Austrian Economic Association

May 10th-11th, 2013
at the University of Innsbruck

European Integration: Quo Vadis?

Program Overview

Friday

09:30-10:45	Main Registration
10:45-11:00	Welcome address by the dean of the Faculty of Economics and Statistics, University of Innsbruck, *Hannelore Weck-Hannemann,* Location: Aula
11:00-12:30	Keynote Lecture I: European competitiveness and global value chains. *Gianmarco Ottaviano*, London School of Economics & Bocconi University Location: Aula
12:30-14:00	Lunch break, Location: Mensa
13:15-14:00	General meeting of NOeG members, Location: Aula
14:00-15:30	Parallel Sessions
15:30-16:00	Coffee break
16:00-17:30	Parallel Sessions
18:15-18:30	Young Economist Award; Location: Kaiser-Leopold-Saal, Karl-Rahner-Platz 3
18:30-20:00	Panel Discussion (in German, in cooperation with MCI) „Regionaler Wettbewerb in der EU - Anpassungsmechanismen und Strategien", *Fritz Breuss* (WIFO) *Christian Keuschnigg* (IHS und Universität St. Gallen) *Eva Lichtenberger* (Europäisches Parlament) *Gottfried Tappeiner* (Universität Innsbruck) Moderation: *Markus Sommersacher* Location: Kaiser-Leopold-Saal, Karl-Rahner-Platz 3
20:00-22:00	Reception, Location: Kaiser-Leopold-Saal, Karl-Rahner-Platz 3

Saturday

09:00-10:30	Parallel Sessions
10:30-11:00	Coffee break
11:00-12:30	Keynote Lecture II: Where is the end of EURope? *Richard Baldwin*, The Graduate Institute of International and Development Studies, Genève Location: Aula
12:30-13:30	Lunch break, Location: Mensa
13:30-15:00	Parallel Sessions
15:00	End of Meeting
15:30-17:00	Guided city tour (optional)

NOeG 2013 – Friday, May 10, 2013

	Aula	SR1	SR2	SR3	SR 9	SR 14	SR 15
09:30-10:45		Main Registration					
10:45-11:00	Welcome address by *Hannelore Weck-Hannemann*						
11:00-12:30	**Keynote Lecture I** European competitiveness and global value chains *Gianmarco Ottaviano*						
12:30-14:00		Lunch Break					
13:15-14:00	**General Meeting of Members**						
		Parallel Sessions					
14:00-15:30		International Economics I	Game Theory	Invited Session: www for Europe	Economic Development and Growth	Macroeconomics	Invited Session: Environmental Economics
15:30-16:00		Coffee Break					
		Parallel Sessions					
16:00-17:30		International Economics II	Industrial Organization	Fiscal Policy	Labor Economics I	International Macroeconomics I	Environmental Economics
		Location Change to Kaiser-Leopold-Saal, Karl-Rahner-Platz 3					
		Young Economist Award					
18:15-20:00		**Panel Discussion** Regionaler Wettbewerb in der EU – Anpassungsmechanismen und Strategien					
20:00-22:00		Reception					

NOeG 2013 – Saturday, May 11, 2013

	Aula	SR1	SR2	SR3	SR 9	SR 14	SR 15
09:00-10:30	**Parallel Sessions**						
		Migration	Health Economics	Public Economics	Labor Economics II	International Macroeconomics II	Financial Economics I
10:30-11:00	**Coffee Break**						
11:00-12:30	**Keynote Lecture II** Where is the end of EURope? *Richard Baldwin*						
12:30-13:30	**Lunch Break**						
13:30-15:00	**Parallel Sessions**						
			Productivity Studies	Invited Session: Institutional Economics		International Macroeconomics III	Financial Economics II
15:00	**End of Meeting**						
15:30-17:00	**Guided city tour (optional)**						

Annual Meeting of the Austrian Economic Association
European Integration: Quo Vadis?
Program

universität innsbruck
Fakultät für Volkswirtschaft und Statistik

Nationalökonomische Gesellschaft
NOeG
http://www.noeg.ac.at

Friday, May 10th, 2013

09:30-10:45 Main Registration

10:45-11:00 Welcome address by the dean of the Faculty of Economics and Statistics, University of Innsbruck, *Hannelore Weck-Hannemann* (Aula)

11:00-12:30 Keynote Lecture I: European competitiveness and global value chains; *Gianmarco Ottaviano*; Location: Aula

12:30-14:00 Lunch break, Location: Mensa

13:15-14:00 Membership meeting, Location: Aula

14:00-15:30 Parallel Sessions

	Room: SR1 *International Economics I*	Room: SR2 *Game Theory*	Room: SR3 *Invited Session: www for Europe*	Room: SR9 *Economic Development and Growth*	Room: SR14 *Macroeconomics*	Room: SR15 *Invited Session: Environmental Economics*
Fr, 14:00 - 15:30	• Effects of trade barriers on bilateral trade of potable water *Elisabeth Christen, Andrea Leiter-Scheiring, Michael Pfaffermayr* • Innovation, Employment Growth, and Foreign Ownership of Firms. A European Perspective *Bernhard Dachs, B. Peters* • Structural Constrained ANOVA-type Estimation of Gravity Panel Data Models *Peter H. Egger Sergey Nigai* • Who Benefits from Regional Trade Agreements? The View from the Stock Market *Christoph Moser, Andrew Rose* Chair: *Egger, Peter H.*	• Screening Experts' Distributional Preferences *Dominik Erharter* • Ambiguous Advice *Christian Kellner, Mark T. Le Quement* • On Time-Inconsistency in Bargaining *Sebastian Kodritsch* • Leadership in Teams and the Leadership Paradox *Susanne Mayer, Christian Hilbe* Chair: Kodritsch, Sebastian	• Determinants of Greenfield Foreign Direct Investment in Intangible Assets *Martin Falk* • The Bumpy Road to Convergence *Matthias Firgo, Peter Huber* • Career choice in academia *Jürgen Janger, Klaus Nowotny* • Institutions and the Location Decisions of Highly Skilled Migrants to Europe *Klaus Nowotny* Chair: *Nowotny, Klaus*	• What We Miss By Missing Data: Aid Effectiveness Revisited *Anja Breitwieser, Katharina Wick* • Fishing Economic Growth Determinants Using Bayesian Elastic Nets *Jesus Crespo Cuaresma, Paul Hofmarcher, Bettina Grün, Kurt Hornik* • Spatial Interactions in Location Decision: Empirical Ecidence from a Bayesian Spatial Probit Model *Adriana Nikolic, Christoph Weiss* • How Important is Total Factor Productivity for Growth in CESEE Countries? *Konstantins Benkovskis, Ludmila Fadejeva, Robert Stehrer, Julia Wörz* Chair: *Wörz, Julia*	• Financing Conditions at the Firm-Level: Firm-Specific Shocks and Aggregate Profitability *Jarko Fidrmuc, Johann Scharler* • Do Heterogeneous Expectations Constitute a Challenge for Policy Interaction? *Emanuel Gasteiger* • "Haircuts" for the EMU Periphery: Virtue or Vice? *Reinhard Neck, Dmitri Blüschke* • Do Banks Lend Less in Uncertain Times? *Burkhard Raunig, Johann Scharler, Friedrich Sindermann* Chair: *Neck, Reinhard*	• Corporate environmental responsibility, consumers' trust and imperfect competition *Carmen Arguedas, Esther Blanco* • Tensions Between the Resource Damage and the Private Benefits of Appropriation in the Commons *Esther Blanco, Maria Claudia Lopez, James M. Walker* • Setting one voluntary standard in a heterogeneous Europe - EMAS, environmental taxes and institutional quality *Blanco, Esther, Borsky, Stefan* Chair: *Blanco, Esther*

15:30-16:00 Coffee break

Friday, May 10th, 2013

16:00 – 17:30 Parallel Sessions

	Room: SR1 *International Economics II*	Room: SR2 *Industrial Organization*	Room: SR3 *Fiscal Policy*	Room: SR9 *Labor economics I*	Room: SR14 *International Macroeconomics I*	Room: SR15 *Evironmental Economics*
Fr, 16:00 - 17:30	• Persistence vs. mobility in industrial and technological specialisations: Evidence from 11 Euro area countries *Chiappini Raphaël* • Intra-European Competition, Earnings and Endogenous Firm Entry Institutions *Povilas Lastauskas* • Spatial Dynamics of Income Inequality in Austria *Mathias Moser, Matthias Schnetzer* • Foreign Trade in the Austrian Regions – A new methodology to estimate regional trade and an analysis of the crisis effects *Roman Römisch* Chair: *Römisch, Roman*	• Pharmaceutical regulation at the wholesale level and parallel trade *Laura Birg* • How Complex is the Competition in Regulated Pharmaceutical Markets? *Berna Colak, Aysegul Timur, Andrei Barbos* • The dynamics of industry concentration with an application to the textile industry *Nicole Palan, Andreas Rainer* • Investment dynamics with information costs *Fabio Verona* Chair: *Palan, Nicole*	• Exploring the Performance of Government Debt Issuance *Alexander Eisl, Hermann Elendner, Stefan Pichler* • Rationality of Direct Tax Revenue Forecasts under Asymmetric Loss: Evidence from Swiss cantons *Florian Chatagny, Boriss Siliverstovs* • How Sustainable Are Public Debt Levels in Emerging Europe? Evidence for Selected CESEE Countries from a Stochastic Debt Sustainability Analysis *Markus Eller, Jarmila Urvova* Chair: *Elendner, Hermann*	• Testing instrument validity for LATE identification based on inequality moment constraints *Martin Huber, Giovanni Mellace* • Relaxing monotonicity in the identification of local average treatment effects *Martin Huber, Giovanni Mellace* • Who Creates Jobs? Estimating Job Creation Rates at the Firm Level *Peter Huber, Harald Oberhofer, Michael Pfaffermayr* • Effect of Past Coworkers on Job Search Evidence from Austria *Peri Saygin, Andrea Weber, Michele Weynandt* Chair: *Weber, Andrea*	• What Drives Target2 Balances? Evidence From a Panel Analysis *Raphael Auer* • Monetary and Fiscal Policy in a Monetary Union under the Zero Lower Bound constraint *Stefanie Flotho* • Information Frictions and the Law of One Price: When the States and the Kingdom became United *Claudia Steinwender* • European Macro-Financial Solidarity Mechanisms 1971-1993 *Harald Stieber* Chair: *Auer, Raphael*	• Projecting Long–Term Primary Energy Consumption with Error Correction Models *Zsuzsanna Csereklyei, Stefan Humer* • The EU Emission Trading Scheme – Sectoral allocation patterns and factors determining emission changes *Claudia Kettner, D. Kletzan-Slamanig, A. Köppl* • Climate change impacts and adaptation in agriculture: results from an integrated modeling framework for Austria 2020 and 2040 *Olivia Koland, M. Schönhart, G. Heinrich, B. Bednar-Friedl, H. Mitter, E. Schmid, A. Gobiet* • The relevance of carbon free production processes for carbon leakage and carbon border adjustment *T. Schinko, B. Bednar-Friedl, W. Grossmann, Karl W. Steininger* Chair: *Steininger, Karl*

18:15-18:30   Young Economist Award; Location: Kaiser-Leopold-Saal, Karl-Rahner-Platz 3

18:30-20:00   Panel Discussion: Regionaler Wettbewerb in der EU - Anpassungsmechanismen und Strategien, Kaiser-Leopold-Saal, Karl-Rahner-Platz 3

20:00-22:00   Reception, Kaiser-Leopold-Saal, Karl-Rahner-Platz 3

Saturday, May 11th, 2013

09:00-10:30 Parallel Sessions

	Room: SR1 *Migration*	Room: SR2 *Health Economics*	Room: SR3 *Public Economics*	Room: SR9 *Labor economics II*	Room: SR14 *International Macroeconomics II*	Room: SR15 *Financial Economics I*
Sa, 09:00 - 10:30	• The Value of Educational Signals: The Case of Foreigners, Ethnic and Native Germans in Germany *Stephan O. Hornig, Horst Rottmann, Rüdiger Wapler* • Return migration and illegal immigration control *Alexander Kemnitz, Karin Mayr* • When a Random Sample is Not Random. Bounds on the Effect of Migration on Children Left Behind. *Andreas Steinmayr* Chair: *Mayr, Karin*	• Housing deprivation and health: A European comparison. *Stefan Angel, Benjamin Bittschi* • Fiscal Austerity, Unemployment and Suicide Rates in Greece *Nikolaos Antonakakis* • Birth weight and family status revisited: Evidence from Austrian Register Data *Wolfgang Frimmel, Gerald J. Pruckner* • Prescribed and Non-Prescribed Medicine Use by Social Class: The Case of Austria *Susanne Mayer, August Österle, Martin Zuba* Chair: *Antonakakis, Nikolaos*	• Optimal taxation of labor income and bequests in the steady-state *Johann Brunner, Susanne Pech* • The firm location race - Regulating incentive packages given to firms by local and regional governments *Philip Cosmo Hanke* • The Elasticity of Corporate Taxable Income: New Evidence from UK Tax Records *Michael Devereux, Li Liu, Simon Loretz* • Of Coordinators and Dictators: A Public Goods Experiment *Jürgen Fleiß, Stefan Palan* Chair: *Brunner, Johann*	• Population Ageing and Private Consumption – Modelling potential effects with an almost ideal demand system for Austria *Birgit Aigner-Walder* • Labour market mobility in 2005-2011: the case of Latvia *Ludmila Fadejeva, Ieva Brauksa* • Differences in Employment Volatility between Foreign and Domestic Companies: Elasticity of Labour Demand vs. Exposure to Shocks *Jaanika Meriküll, Tairi Rõõm* • Labour Unions and Unemployment in a Globalized Economy *Katarzyna Rymuza* Chair: *Meriküll, Jaanika*	• The Mode of Competition between Foreign and Domestic Goods, Pass-Through, and External Adjustment *Raphael A Auer and Raphael Schoenle* • The regime dynamics of industries in the Euro area: a euro effect? *Dias, J.G. Ramos, S.B.* • The Ideal Loan and the Patterns of Cross-Border Bank Lending *Bettina Brüggemann, Jörn Kleinert, Esteban Prieto* • Does the ECB synchronize Business Cycles? *Martin Gächter, Aleksandra Riedl* Chair: *Kleinert, Jörn*	• The Determinants of Vulnerability to the Global Financial Crisis 2008 to 2009: Credit Growth and Other Sources of Risk *Martin Feldkircher* • The pattern of cross-border bank lending to Central and Eastern Europe *Hannes Cizek, Peter Haiss, Bernhard Mahlberg* • The Value of the Revolving Door: Political Appointees and the Stock Market *Christoph Moser, Simon Luechinger* Chair: *Moser, Christoph*

10:30-11:00 Coffee break

11:00-12:30 Keynote Lecture II: Where is the end of EURope? *Richard Baldwin*; Location: Aula

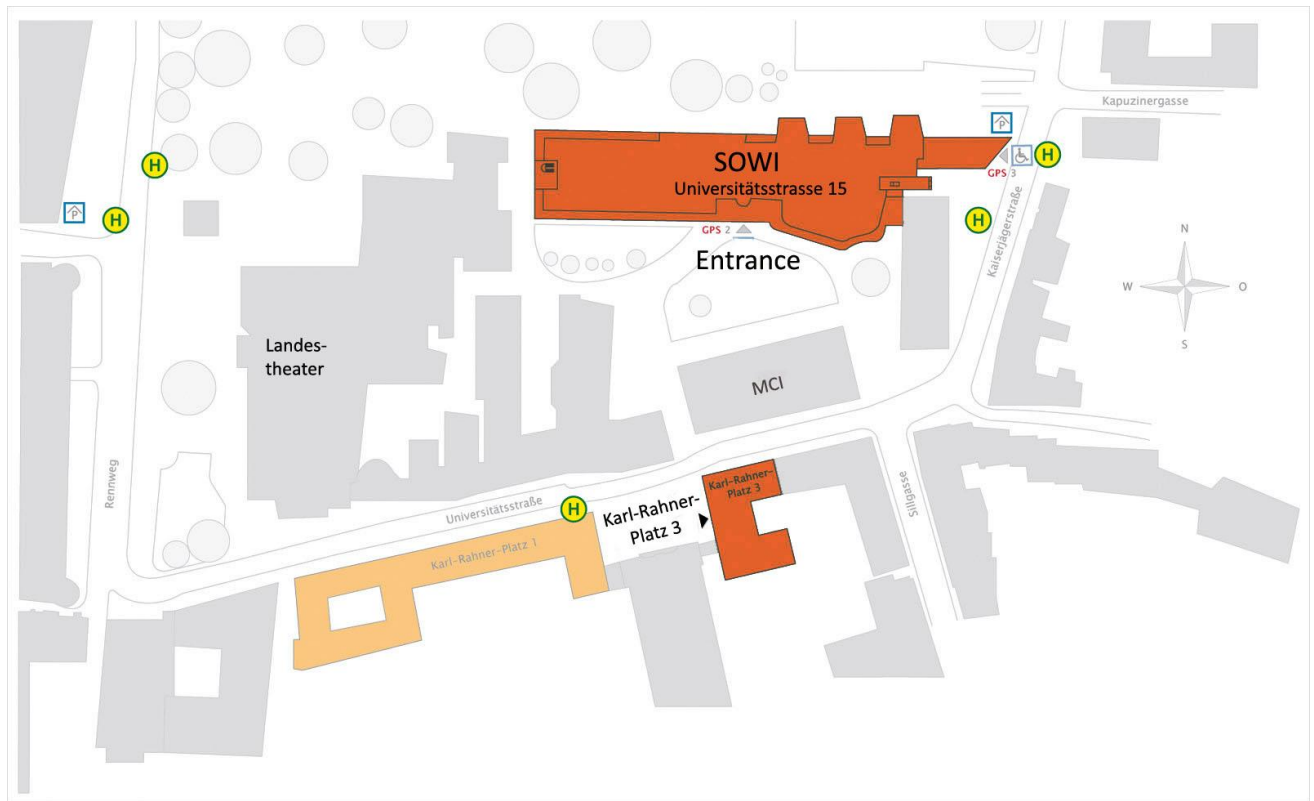12:30-13:30 Lunch break, Location: Mensa

Saturday, May 11th, 2013

13:30-15:00 Parallel Sessions

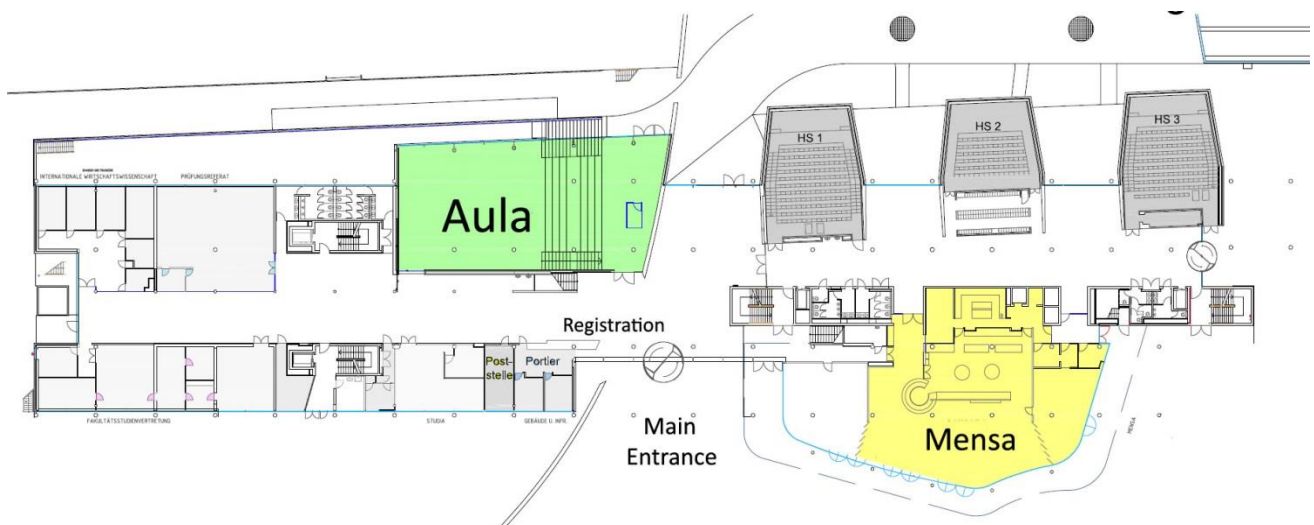|	Room: SR1	Room: SR2 *Productivity Studies*	Room: SR3 *Invited Session: Institutional Economics*	Room: SR9	Room: SR14 *International Macroeconomics III*	Room: SR15 *Financial Economics II*
Sa, 13:30 - 15:00		• Financial liberalization and productivity growth in manufacturing and service sectors: Evidence from panel investigation on sector-level data *Agnieszka Gehringer* • The role played by ICT human capital in firm productivity *Eva Hagsten Anna Sabadash* • The Age-Productivity Pattern: Do Location and Sector Affiliation Matter? *Bernhard Mahlberg, Inga Freund, Jesús Crespo Cuaresma and Alexia Prskawetz* • Eco-Efficiency and Eco-Productivity change over time in a multisectoral economic system *Bernhard Mahlberg, Mikulas Luptacik* Chair: *Mahlberg, Bernhard*	• Institutional Incongruence: A Spatio-Temporal Framework to Understand Socio-Economic Change *Andreas Exenberger* • How Does Institutional Change Coincide with Changes in the Quality of Life? An Exemplary Case Study *Simon Hartmann Andreas Exenberger* • When do institutional transfers work? The relation between institutions, culture and the transplant effect *Valentin Seidler* Chair: *Exenberger, Andreas*		• Financial Liberalization and Crises in Transition Economies: What Have 20+ Years Taught Us? *Christopher Andrew Hartwell* • EU Enlargement and Satisfaction with Democracy: A Peculiar Case of Immizerising Growth *Barbara Dluhosch, Daniel Horgos, Klaus W. Zimmermann* • Quo vadis? European Integration seen from the Perspectives of Austrian Economics *Karl Socher* Chair: *Hartwell, Christopher Andrew*	• Foreign currency borrowing and knowledge about exchange rate risk *Elisabeth Beckmann, Helmut Stix* • Estimating Government Bond Yields Since the Introduction of the Euro Using Penalized Splines *Gregor von Schweinitz* • TARP Effect on Bank Lending Behaviour: Evidence from the last Financial Crisis *Stefano Puddu, Andreas Wälchli* Chair: *Wälchli, Andreas*

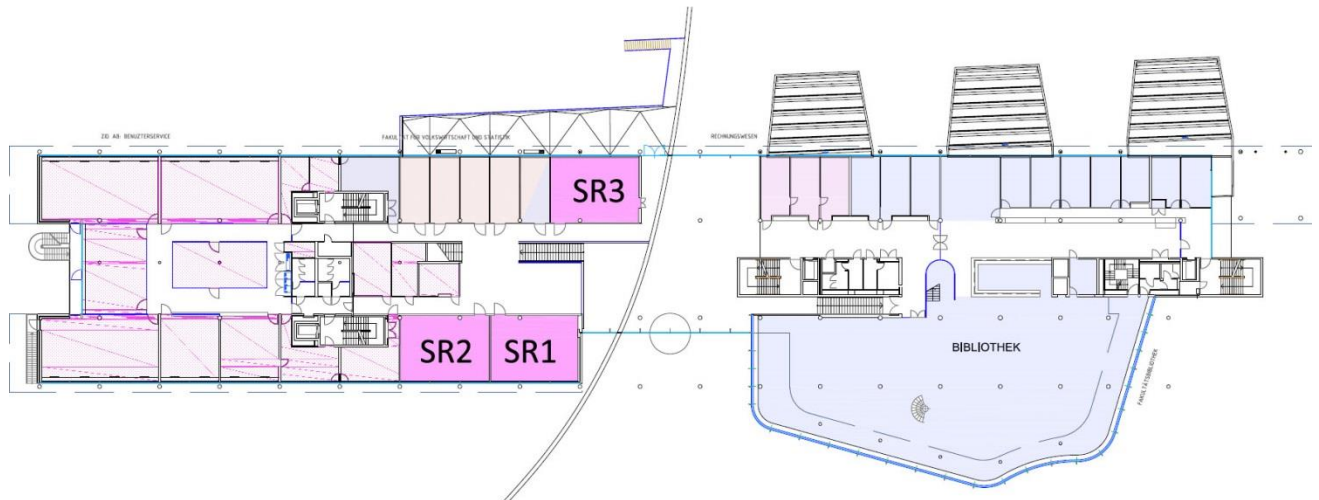**15:00**   End of Meeting

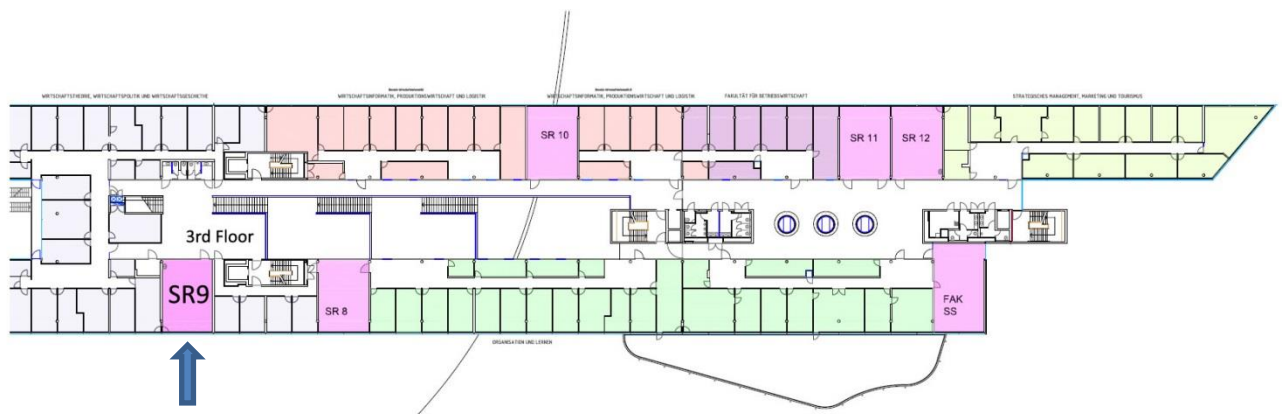**15:30-17:00   Guided city tour (optional)**

SOWI Campus

SOWI Ground Floor

First Floor (SR1, SR2 & SR3)

SR3

SR2 SR1

BIBLIOTHEK

Third Floor (SR9)

SR 10

SR 11 SR 12

3rd Floor

SR9

SR 8

FAK SS

Fourth Floor (SR14 & SR15)

SR14 SR15

SR 16 SR 17

4th Floor

SR 13

SR 19 SR 18

List of participants

Aigner-Walder, Birgit: Sa 09:00-10:30, SR9 (Labor economics II)

Angel, Stefan: Sa 09:00-10:30, SR2 (Health Economics)

Antonakakis, Nikolaos: Sa 09:00-10:30, SR2 (Health Economics)

Arguedas, Carmen: Fr 14:00-15:30, SR15 (Invited Session: Evironmental Economics)

Auer, Raphael A.: Fr 16:00-17:30, SR14 (International Macroeconomics I)

Auer, Raphael A.: Sa 09:00-10:30, SR14 (International Macroeconomics II)

Beckmann, Elisabeth: Sa 13:30-15:00, SR15 (Financial Economics II)

Birg, Laura: Fr 16:00-17:30, SR2 (Industrial Organization)

Blanco, Esther: Fr 14:00-15:30, SR15 (Invited Session: Evironmental Economics)

Borsky, Stefan: Fr 14:00-15:30, SR15 (Invited Session: Evironmental Economics)

Breitwieser, Anja: Fr 14:00-15:30, SR9 (Economic Development and Growth)

Brunner, Johann: Sa 09:00-10:30, SR3 (Public Economics)

Chiappini, Raphaël: Fr 16:00-17:30, SR1 (International Economics II)

Christen, Elisabeth: Fr 14:00-15:30, SR1 (International Economics I)

Colak, Berna: Fr 16:00-17:30, SR2 (Industrial Organization)

Crespo Cuaresma, Jesus: Fr 14:00-15:30, SR9 (Economic Development and Growth)

Dachs, Bernhard: Fr 14:00-15:30, SR1 (International Economics I)

Dias, José G.: Sa 09:00-10:30, SR14 (International Macroeconomics II)

Egger, Peter H.: Fr 14:00-15:30, SR1 (International Economics I)

Elendner, Hermann: Fr 16:00-17:30, SR3 (Fiscal Policy)

Erharter, Dominik: Fr 14:00-15:30, SR2 (Game Theory)

Exenberger, Andreas: Sa 13:30-15:00, SR3 (Invited Session: Institutional Economics)

Fadejeva, Ludmila: Sa 09:00-10:30, SR9 (Labor economics II)

Falk, Senior Martin: Fr 14:00-15:30, SR3 (Invited Session: www for Europe)

Feldkircher, Martin: Sa 09:00-10:30, SR15 (Financial Economics I)

Fidrmuc, Jarko: Fr 14:00-15:30, SR14 (Macroeconomics)

Firgo, Matthias: Fr 14:00-15:30, SR3 (Invited Session: www for Europe)

Flotho, Stefanie: Fr 16:00-17:30, SR14 (International Macroeconomics I)

Frimmel, Wolfgang: Sa 09:00-10:30, SR2 (Health Economics)

Gasteiger, Emanuel Maximilian: Fr 14:00-15:30, SR14 (Macroeconomics)

Gehringer, Agnieszka: Sa 13:30-15:00, SR2 (Productivity Studies)

Gächter, Martin: Sa 09:00-10:30, SR14 (International Macroeconomics II)

Hagsten, Eva M: Sa 13:30-15:00, SR2 (Productivity Studies)

Hanke, Philip Cosmo: Sa 09:00-10:30, SR3 (Public Economics)

Hartmann, Simon: Sa 13:30-15:00, SR3 (Invited Session: Institutional Economics)

Hartwell, Andrew: Sa 13:30-15:00, SR14 (International Macroeconomics III)

Horgos, Daniel: Sa 13:30-15:00, SR14 (International Macroeconomics III)

Hornig, Stephan O.: Sa 09:00-10:30, SR1 (Migration)

Huber, Martin: Fr 16:00-17:30, SR9 (Labor economics I)

Humer, Stefan: Fr 16:00-17:30, SR15 (Evironmental Economics)

Janger, Juergen: Fr 14:00-15:30, SR3 (Invited Session: www for Europe)

Kellner, Christian: Fr 14:00-15:30, SR2 (Game Theory)

Kettner, Claudia: Fr 16:00-17:30, SR15 (Evironmental Economics)

Kleinert, Jörn: Sa 09:00-10:30, SR14 (International Macroeconomics II)

Kodritsch, Sebastian: Fr 14:00-15:30, SR2 (Game Theory)

Koland, Olivia: Fr 16:00-17:30, SR15 (Evironmental Economics)

Lastauskas, Povilas: Fr 16:00-17:30, SR1 (International Economics II)

Loretz, Simon: Sa 09:00-10:30, SR3 (Public Economics)

Mahlberg, Bernhard: Sa 09:00-10:30, SR15 (Financial Economics I)

Mahlberg, Bernhard: Sa 13:30-15:00, SR2 (Productivity Studies)

Mahlberg, Bernhard: Sa 13:30-15:00, SR2 (Productivity Studies)

Mayer, Susanne: Sa 09:00-10:30, SR2 (Health Economics)

Mayer, Susanne: Fr 14:00-15:30, SR2 (Game Theory)

Mayr, Karin: Sa 09:00-10:30, SR1 (Migration)

Mellace, Giovanni: Fr 16:00-17:30, SR9 (Labor economics I)

Meriküll, Jaanika: Sa 09:00-10:30, SR9 (Labor economics II)

Moser, Christoph: Fr 14:00-15:30, SR1 (International Economics I)

Moser, Christoph: Sa 09:00-10:30, SR15 (Financial Economics I)

Moser, Mathias: Fr 16:00-17:30, SR1 (*International Economics II*)

Neck, Reinhard: Fr 14:00-15:30, SR14 (Macroeconomics)

Nikolic, Adriana: Fr 14:00-15:30, SR9 (Economic Development and Growth)

Nowotny, Klaus: Fr 14:00-15:30, SR3 (Invited Session: www for Europe)

Oberhofer, Harald: Fr 16:00-17:30, SR9 (Labor economics I)

Palan, Nicole: Fr 16:00-17:30, SR2 (Industrial Organization)

Palan, Stefan: Sa 09:00-10:30, SR3 (Public Economics)

Rymuza, Katarzyna: Sa 09:00-10:30, SR9 (Labor economics II)

Römisch, Roman: Fr 16:00-17:30, SR1 (International Economics II)

Schweinitz von, Gregor: Sa 13:30-15:00, SR15 (Financial Economics II)

Seidler, Valentin: Sa 13:30-15:00, SR3 (Invited Session: Institutional Economics)

Siliverstovs, Boriss: Fr 16:00-17:30, SR3 (Fiscal Policy)

Sindermann, Friedrich: Fr 14:00-15:30, SR14 (Macroeconomics)

Socher, Karl Friedrich: Sa 13:30-15:00, SR14 (International Macroeconomics III)

Steininger, Karl: Fr 16:00-17:30, SR15 (Evironmental Economics)

Steinmayr, Andreas: Sa 09:00-10:30, SR1 (Migration)

Steinwender, Claudia: Fr 16:00-17:30, SR14 (International Macroeconomics I)

Stieber, Harald: Fr 16:00-17:30, SR14 (International Macroeconomics I)

Urvova, Jarmila: Fr 16:00-17:30, SR3 (Fiscal Policy)

Verona, Fabio: Fr 16:00-17:30, SR2 (Industrial Organization)

Weber, Andrea: Fr 16:00-17:30, SR9 (Labor economics I)

Wälchli, Andreas: Sa 13:30-15:00, SR15 (Financial Economics II)

Wörz, Julia: Fr 14:00-15:30, SR9 (Economic Development and Growth)

Program Committee

Birgit **Bednar-Friedl** (University of Graz)
Jesus Crespo **Cuaresma** (University of Economics & Business, Vienna)
Martin **Halla** (University of Linz)
Christoph **Hauser** (University of Innsbruck)
Andrea **Leiter-Scheiring** (University of Innsbruck)
Klaus **Nowotny** (University of Salzburg)
Harald **Oberhofer** (University of Salzburg)
Michael **Pfaffermayr** (University of Innsbruck)
Gerald **Pruckner** (University of Linz)
Rupert **Sausgruber** (University of Economics & Business, Vienna)
Johann **Scharler** (University of Innsbruck)
Rupert **Sendlhofer** (University of Innsbruck)
Karl **Steininger** (University of Graz)
Herbert **Stocker** (University of Innsbruck)
Gottfried **Tappeiner** (University of Innsbruck)
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Janette **Walde** (University of Innsbruck)
Hannes **Winner** (University of Salzburg)
Achim **Zeileis** (University of Innsbruck)

Local Organizing Team

Christoph **Hauser** (Department of Economics)
Veronika **Mayr** (Faculty of Economics and Statistics)
Andrea **Leiter-Scheiring** (Department of Economics)
Michael **Pfaffermayr** (Department of Economics)
Sibylle **Puntscher** (Department of Economics)
Johann **Scharler** (Department of Economics)
Rupert **Sendlhofer** (Department of Public Finance)
Herbert **Stocker** (Department of Economics)
Gottfried **Tappeiner** (Department of Economics)
Janette **Walde** (Department of Statistics)

Conference Office / Contact information / Impressum

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We thank the following organizations for their support in organizing this conference

Abstracts

Economic Development and Growth

What We Miss By Missing Data: Aid Effectiveness Revisited

Anja Breitwieser, Katharina Wick

Abstract: Missing data is a major problem in empirical development economics, as it may entail efficiency losses as well as biased results. This is an issue within the literature that investigates the effect of foreign aid on welfare. Using multiple imputation techniques, we address these problems and find lower aid effectiveness than previous studies suggest. In addition, imputation allows for comparison of different welfare indicators within the same framework. We find that if aid effectiveness is evaluated based on such indicators, the respective indicator choice can matter for the results.
Time: Fr 14:00-15:30, SR9

Fishing Economic Growth Determinants Using Bayesian Elastic Nets

Jesus Crespo Cuaresma, Paul Hofmarcher, Bettina Grün, Kurt Hornik

Abstract: We propose a method to deal simultaneously with model uncertainty and correlated regressors in linear regression models by combining elastic net specifications with a *spike and slab* prior. The estimation method nests ridge regression and the LASSO estimator and thus allows for a more flexible modelling framework than existing model averaging procedures. In particular, the proposed technique has clear advantages when dealing with datasets of (potentially highly) correlated regressors, a pervasive characteristic of the model averaging datasets used hitherto in the econometric literature. We apply our method to the dataset of economic growth determinants by Sala-i-Martin et al. (Sala-i-Martin, X., Doppelhofer, G., and Miller, R. I. (2004). Determinants of Long-Term Growth: A Bayesian Averaging of Classical Estimates (BACE) Approach. American Economic Review, 94: 813-835) and show that our procedure has superior out-of-sample predictive abilities as compared to the standard Bayesian model averaging methods currently used in the literature.
Time: Fr 14:00-15:30, SR9

Spatial Interactions in Location Decision: Empirical Ecidence from a Bayesian Spatial Probit Model

Adriana Nikolic, Christoph Weiss

Abstract: In the period from 2003-2011 in the Austrian retail gasoline market remarkable movements have been noticed. A short analysis shows that 10.9% of the stations had left the market and a percentage of 29.6% had either left the market or had changed the brand. This paper

provides empirical insight for drivers of these processes. As the dependent variable is binary in nature (an exit had taken place or not) and a special characteristic of this market is the local (spatial) competition structure, we apply a Bayesian spatial probit model using MCMC estimation on station level data for the whole Austrian retail gasoline market.
Time: Fr 14:00-15:30, SR9

How Important is Total Factor Productivity for Growth in CESEE Countries?

Konstantins Benkovskis, Ludmila Fadejeva, Robert Stehrer, Julia Wörz

Abstract: The evolution of total factor productivity (TFP) is a key determinant of long-run economic growth of a country. In this paper we analyse the contributions from technological change at the industry level to an economy's aggregate growth performance. Our derivation of total TFP growth entails three major improvements over the traditional Solow residual approach. First, we allow for non-constant returns to scale as well as changes in the utilisation of input factors in our estimation of industry TFP growth. Second, we use a novel approach to aggregate TFP from industry level to macro level, which incorporates both direct and indirect effects through intermediate linkages within an economy. Third, we take account of open economy characteristics by assigning an explicit role to terms-of-trade shocks. Our calculations for the sample of 10 Eastern European EU Member States over the time period from 1995 to 2009 are based on the newly available World Input-Output Database (WIOD). We find evidence of considerably higher TFP growth rates in Eastern European EU member states compared to Western Europe representing a solid foundation for the future convergence process.
Time: Fr 14:00-15:30, SR9

Evironmental Economics

Projecting Long–Term Primary Energy Consumption with Error Correction Models

Zsuzsanna Csereklyei, Stefan Humer

Abstract: In this paper we use the long-term empirical relationship among primary energy consumption, real income, physical capital, population and technology, obtained by averaged panel error correction models, to project the worldwide long-term primary energy consumption up to 2100. In forecasting long-term primary energy consumption, we work with four different Shared Socioeconomic Pathway Scenarios (SSPs) developed for the Intergovernmental Panel on Climate Change (IPCC) framework, assuming different challenges to adaptation and mitigation. We find that in all scenarios, China, the United States and India will be the largest energy consumers, while highly growing countries will also significantly contribute to energy use. We observe for most scenarios a sharp increase in global energy consumption, followed by a levelling-out and a decrease towards the second half of the century. The reasons behind this pattern are not only slower population growth, but also infrastructure saturation and increased total factor productivity. This means, as countries move towards more knowledge based societies, and higher energy efficiency, their primary energy usage is likely to decrease as a result. Global primary energy consumption is expected however to increase significantly in the coming decades, thus increasing the pressure on policy makers to cope with the questions of energy security and greenhouse gas mitigation at the same time.
Time: Fr 16:00-17:30, SR15

The EU Emission Trading Scheme – Sectoral allocation patterns and factors determining emission changes

Claudia Kettner, Daniela Kletzan-Slamanig, Angela Köppl

Abstract: The EU Emission Trading Scheme (EU ETS) that covers emitters from industry and energy supply representing 40% of the EU's greenhouse gas emissions is the biggest implementation of a cap-and-trade scheme worldwide. In this paper, we analyze sectoral allocation caps focusing on three emission intensive sectors ('power and heat', 'cement and lime', 'pulp and paper'), assess the development of emissions and discuss the main drivers for emissions in these sectors since the start of the EU ETS. Our analysis of allocation patterns shows that 'power and heat' is the only sector permanently facing a stringent cap. The disaggregated analysis of the development of CO_2 emissions also reveals pronounced sectoral disparities, which points at differences in the availability of emission abatement options. The data for cement and lime production show changes in CO_2 intensity pointing at an increased import of clinker. For paper and pulp production and for power and heat generation improvements in emission intensities and to a lesser extent energy intensities can be observed, reflecting the role of fuel shifts in short term emission reductions.
Time: Fr 16:00-17:30, SR15

Climate change impacts and adaptation in agriculture: results from an integrated modeling framework for Austria 2020 and 2040

Olivia Koland, Martin Schönhart, Georg Heinrich, Birgit Bednar-Friedl, Hermine Mitter, Erwin Schmid, Andreas Gobiet

Abstract: Agriculture is among the economic sectors most vulnerable to global climate change. This article analyses climate change impacts and adaptation at sector and macroeconomic level in Austria for 2020 and 2040. Agricultural adaptation measures can increase gains and reduce losses, which are transmitted to other sectors such as food production. However, gains and losses may vary at regional level, which requires targeting of adaptation measures to local specific contexts. Agricultural output is affected by climatological uncertainties, but also by parameter and methodological uncertainties in the integrated economic model. While uncertainties are partly compensated at the aggregate level, there are considerable differences among agricultural sectors. *Time: Fr 16:00-17:30, SR15*

The relevance of carbon free production processes for carbon leakage and carbon border adjustment

Thomas Schinko, Birgit Bednar-Friedl, Wolf Grossmann, Karl W. Steininger

Abstract: Climate policy arrangements of partial regional coverage, as they seem to emerge from the UNFCCC process, might lead to carbon leakage and hence a broad literature has developed to quantify global leakage rates. While most of these analyses, are confined to consider combustion emissions only, Bednar-Friedl et al. (2012b) have pointed out the particular relevance of process emissions for both leakage rates and effectiveness of border carbon adjustment. We use this expanded framework in considering both combustion and process emissions in a multi-sectoral multi-regional Computable General Equilibrium model and analyze the implications of carbon free process innovations. As a medium-term alternative to border carbon adjustment, we find that such a technological switch, for example in the European steel industry towards low-carbon electrowinning, can effectively reduce global carbon leakage even at the aggregate level. For border carbon adjustment considerations this implies their setting including a phase-out, such that incentives for carbon free innovations are preserved. *Time: Fr 16:00-17:30, SR15*

Financial Economics I

The Determinants of Vulnerability to the Global Financial Crisis 2008 to 2009: Credit Growth and Other Sources of Risk

Martin Feldkircher

Abstract: In this paper, we identify initial macroeconomic and financial market conditions that help explain the distinct response of the real economy of a particular country to the recent global financial crisis. Using four measures of crisis severity, we examine a data set with over 90 potential explanatory factors employing techniques that are robust to model uncertainty. Four findings are of particular note. First, we find empirical evidence for the pivotal role of pre-crisis credit growth in shaping the real economy's response to the crisis. Specifically, a 1% increase in pre-crisis lending translates into a 0.2% increase in the cumulative loss in real output. Moreover, the combination of pronounced growth in lending ahead of the crisis and the country's exposure to external funding from advanced economies is shown to intensify the real downturn. Economies with booming real activity before the crisis are found to be less resilient to the global shock. Buoyant growth in real GDP in parallel with strong growth of credit particularly exacerbated the effects of the recent crisis on the real economy. Finally, we provide empirical evidence on the importance of holding international reserves in explaining the response of the real economy to the crisis. The accumulation of international reserves mitigated the harmful effects of financial stress on the real economy, in particular when domestic funding via credit is abundant. The results are shown to be robust to several estimation techniques, including those allowing for cross-country spillovers.
Time: Sa 09:00-10:30, SR15

The pattern of cross-border bank lending to Central and Eastern Europe

Hannes Cizek, Peter Haiss, Bernhard Mahlberg

Abstract: Prior to the global financial crisis, financial flows via FDI and bank loans into the CEE emerging economies grew at unprecedented levels. While much of the literature concentrates on the growth of domestic lending or of FDI, we investigate the determinants and implications of cross-border bank flows to the CEE region. Our contribution to the investigation of international financial integration is twofold. (1) In reviewing previous studies and providing descriptive evidence, we find strong support for a link between foreign bank presence, foreign bank funding and the pattern of cross-border lending. (2) Based on a novel set of cross-border lending data, we empirically investigate cross-border bank flows from the supply and the demand side via panel regression over the period 1996-2011 for 11 CEE countries. We conclude from the empirical analysis that funding is a major driver for growth in cross-border claims. This is important to policymakers, as the determinants of cross-border lending to CEE are substantial to measure potential financial vulnerabilities and contagion.
Time: Sa 09:00-10:30, SR15

The Value of the Revolving Door: Political Appointees and the Stock Market

Christoph Moser, Simon Luechinger

Abstract: We analyze stock market reactions to announcements of political appointments from the private sector and corporate appointments of former government officials. Using unique data on corporate affiliations and announcements of all Senate-confirmed U.S. Defense Department appointees of six administrations, we find positive abnormal returns for political appointments. These estimates are not driven by important observations, volatile stocks or industry-wide developments. Placebo events yield no effects. Effects are larger for top government positions and less anticipated announcements. We also find positive abnormal returns for corporate appointments. Our results suggest that conflicts of interest matter also in a country with strong institutions.
Time: Sa 09:00-10:30, SR15

Financial Economics II

Foreign currency borrowing and knowledge about exchange rate risk

Elisabeth Beckmann, Helmut Stix

Abstract: Foreign currency borrowing is widespread in many regions of the world. This raises the question whether unhedged borrowers do not understand the exchange rate risk emanating from such loans. Employing household level micro-data from nine Central and Eastern European countries we study how agents' knowledge about exchange rate risk affects the currency denomination of loans. Results show, first, that a majority of respondents is aware that depreciations increase loan installments. Second, we find that knowledge about the exchange rate risk lowers the demand for foreign currency borrowing. To assess the causal effect of literacy on loan demand we utilize information on agents' exchange rate expectations. Overall, results suggest that financial literacy exerts a strong impact on the choice of the loan currency. However, from an aggregate perspective, a misunderstanding of the underlying risks is not the main cause of foreign currency borrowing.
Time: Sa 13:30-15:00, SR15

Estimating Government Bond Yields Since the Introduction of the Euro Using Penalized Splines

Gregor von Schweinitz

Abstract: The current European Debt Crisis has led to a reinforced effort to identify the sources of risk and their influence on yields of European Government Bonds. This paper uses penalized spline regression to find patterns of flight-to-quality and flight-to-liquidity in the yields. I find that these flight patterns (and their absence in normal times) explain most of the differentiation between bonds in the current crisis and the co-movement of bonds from January 1999 until September 2008.
Time: Sa 13:30-15:00, SR15

TARP Effect on Bank Lending Behaviour: Evidence from the last Financial Crisis

Stefano Puddu, Andreas Wälchli

Abstract: Using a unique dataset based on US commercial banks, we assess the impact of the Troubled Asset Relief Program (TARP) on small business loan origination. Our analysis refers to banks that provide loans in counties where the Community Reinvestment Act (CRA) applies. We find that on average TARP banks provide loans in more distressed counties than the other banks. Moreover, TARP banks show larger size and they provide larger amount of loans than the rest of the banks. These patterns characterize the entire period analysed, even if the differences among the

bank groups increase over time. Exploiting the panel dimension of the dataset, we find that the TARP banks provide on average 12% higher loans origination than the other banks. Moreover, by defining a bank geographical coverage indicator, we show how that previous results depend on this feature: TARP is effective only for banks with high geographical coverage. Finally, by distinguishing between economically sound and economically distressed counties, we show that the results are partially driven by a demand side effect. Several robustness tests confirm the main results.

Time: Sa 13:30-15:00, SR15

Fiscal Policy

Exploring the Performance of Government Debt Issuance

Alexander Eisl, Hermann Elendner, Stefan Pichler

Abstract: The financial performance of governments in issuing debt is an open empirical question. We develop performance measures for the decisions debt management offices (DMOs) face: The amount to issue is largely exogenous to them, but they determine its distribution across issue dates (timing) and the choice of instruments (allocation). For a unique dataset of five European DMOs, we apply our measures to assess DMOs' issuance strategies with respect to prevailing market rates, their country's credit spread, or the mispricing between primary and secondary markets. With a single exception, we find no ability to outperform secondary markets. We do find evidence of increased volatility. Most importantly, Austria, France, and Italy time primary-market effects negatively: While not underpricing issues severely, they allot more volume on dates of higher underpricing compared to other DMOs. Thus, although government issuance shows no strong impact on secondary markets, DMOs need to take primary-market effects into account.
Time: Fr 16:00-17:30, SR3

Rationality of Direct Tax Revenue Forecasts under Asymmetric Loss: Evidence from Swiss cantons

Florian Chatagny, Boriss Siliverstovs

Abstract: The current debt crisis has shed light on the importance of accurate fiscal forecasts. In particular, the accuracy of revenue forecasts is central since they set the limit within which expenditure should remain in order to reach fiscal balance. Therefore, forecasting tax revenue accurately is a key step in the implementation of sound fiscal policies. The current paper contributes to the empirical literature on budget predictions by providing new evidence about Swiss cantons. Using data from 26 Swiss cantons over 1944-2010, we apply the method developed by Elliott et al. (2005) to test the rationality of direct tax revenue forecasts. We mainly find that 1) when considering the percent forecast error, loss functions are asymmetric in a majority of cantons, 2) allowing for asymmetric losses, results of rationality tests are substantially altered in the sense that more cantons turn out to produce rational forecasts 3) when considering forecasts of growth rates, almost no evidence of asymmetric loss function is found and finally 4) forecasts of tax revenue growth rate turn out to be rational in a higher number of cantons than forecasts of levels of tax revenue.
Time: Fr 16:00-17:30, SR3

How Sustainable Are Public Debt Levels in Emerging Europe? Evidence for Selected CESEE Countries from a Stochastic Debt Sustainability Analysis

Markus Eller, Jarmila Urvova

Abstract: To assess to which extent public debt positions in four CESEE economies (the Czech Republic, Hungary, Poland and Slovakia) are sustainable in the medium term, we apply a stochastic debt sustainability analysis (SDSA), building on Celasun, Debrun and Ostry (2007). In contrast to conventional debt sustainability analyses, this approach explicitly accounts for the risks surrounding medium-term debt dynamics, i.e. risks stemming from the interaction of (endogenously determined) fiscal and macroeconomic shocks. This is one of the first papers explicitly applying an SDSA to countries in emerging Europe. The baseline projections suggest that, on average, public debt will not get out of control in any of the four countries until 2016. However, when we also account for the risks around the median projection, the primary balance is apparently not responsive enough (with regard to public debt) so that increasing debt paths cover a considerable share of the overall frequency distribution. The probability of reaching, in 2016, a higher debt-to-GDP ratio than in 2011 is largest in the Czech Republic and Slovakia and less pronounced in Hungary and Poland. When confronting the baseline projections with alternative policy scenarios, we can confirm the importance of a timely and continuous response to debt developments; otherwise public debt will quickly get out of control. Furthermore, compliance with the defined Stability and Convergence Programme targets limits the overall risks to the debt outturns.
Time: Fr 16:00-17:30, SR3

Game Theory

Screening Experts' Distributional Preferences

Dominik Erharter

Abstract: We study optimal direct mechanisms for a credence goods expert who can be altruistic or spiteful. The expert has private information about her distributional preferences and possibly also about her customer's needs. We introduce a method that allows the customer to offer separate contracts to different preference types and outline when separation is optimal. Furthermore, we demonstrate that the optimality of separating mechanisms is sensitive to minor changes of the customer's utility function. Additionally, we illustrate how our results extend to more than two preference types and discuss possible policy implications.
Time: Fr 14:00-15:30, SR2

Ambiguous Advice

Christian Kellner, Mark T. Le Quement

Abstract: We study cheap talk communication in an ambiguous world, where the probability distribution over a binary state space is subjectively uncertain. In equilibrium, S typically mixes between messages triggering different behavior by R and often uses a third message which cannot be interpreted as a clear recommendation to choose either of the two available actions. We interpret these aspects as respectively versatile and agnostic messaging and discuss the relation to intuitive notions of ambiguous language. In the Max-Min ambiguity model, there typically exists a continuum of equilibria implementing the S-optimal decision rule. If conflict is high, the S-optimal equilibrium is unique. For high conflict, influential communication must rely on 3 messages if ambiguity is large while 2 messages suffice for low ambiguity. The addition of ambiguity may help establish influential communication. In the Smooth Ambiguity model, allowing for the use of three messages improves S's capacity to implement his optimal decision rule.
Time: Fr 14:00-15:30, SR2

On Time-Inconsistency in Bargaining

Sebastian Kodritsch

Abstract: This paper analyses dynamically inconsistent time preferences in Rubinstein's (1982) seminal model of bargaining. When sophisticated bargainers have time preferences that exhibit a form of "present bias" – satisfied by the hyperbolic and quasi-hyperbolic time preferences increasingly common in the economics literature – equilibrium is unique and lacks delay. However, when one bargainer is more patient about a single period's delay from the present than one that

occurs in the near future, the game permits a novel form of equilibrium multiplicity and delay. Time preferences with this property have most recently been empirically documented; they also arise when parties who weight probabilities non-linearly bargain under the shadow of exogenous breakdown risk, as well as in settings of intergenerational bargaining with imperfect altruism. The paper's main contributions are (i) a complete characterisation of the set of equilibrium outcomes and payoffs for separable time preferences, and (ii) present bias as a readily interpretable sufficient condition for uniqueness at the level of individual preferences.
Time: Fr 14:00-15:30, SR2

Leadership in Teams and the Leadership Paradox

Susanne Mayer, Christian Hilbe

Abstract: Recent game theoretic research emphasizes the role of productivity spillovers for leadership in teams of two players: leadership emerges as the first mover's efforts improve the follower's productivity, and thereby both players' intrinsic motivation to contribute. Herein, we investigate the role of productivity spillovers in teams of n players. We find a leadership paradox: even if the leader's contributions enhance the productivity of all followers, leadership may not be stable, due to strategic interactions among the followers. However, we also prove that such a leadership paradox does not occur if the group of followers is sufficiently homogeneous, or if the followers' contributions are complements.
Time: Fr 14:00-15:30, SR2

Health Economics

Housing deprivation and health: A European comparison.

Stefan Angel, Benjamin Bittschi

Abstract: Poor housing conditions have long been recognized as a source of health deprivation, which is supported by various cross-sectional studies. However, empirical evidence scrutinizing that relationship with panel data is still surprisingly sparse. In particular, there is lacking evidence in a cross-country comparative manner. Both research gaps are addressed in our article. First, we use EU-SILC panel data from 2005-2008 and estimate logistic regression models with time-fixed, state-fixed and person-fixed effects in order to identify (possible) causal links of deprived housing conditions (f.i. shortage of space, leaking roofs, damp walls/rot, inability to keep the home warm) on self-reported health. Second, we apply multi-level models to the same data in order to assess the influence of different policy measures on effect heterogeneity (slope-as-outcome Models) and on between-country variability of the dependent variable (intercept-as-outcome Models). EU-SILC delivers a large set of socioeconomic variables that can be used as controls. Moreover, due to common standards for data production a comparison of different EU countries is possible. Preliminary results show that, while controlling for education, income, age, sex, marital status and economic status, living in a dwelling with leaking roofs, damp walls or rot and limited means to keep the home warm significantly increase the likelihood of reporting a bad/very bad health status. Concerning the second research focus, preliminary results demonstrate that there is also a significant effect of country fixed effects on self-reported health. Around 10% of the variability in the dependent variable can be attributed to country specific factors
Time: Sa 09:00-10:30, SR2

Fiscal Austerity, Unemployment and Suicide Rates in Greece

Nikolaos Antonakakis

Abstract: In this study we examine the effects of fiscal austerity, among other socioeconomic variables, on suicide rates in Greece over the period 1968-2011. Our results suggest that fiscal austerity, higher unemployment rates, negative economic growth and reduced fertility rates, lead to significant increases in suicide rates in Greece, while increased alcohol consumption and divorce rates do not exert any significant influence on suicide rates. Interestingly, the effects of fiscal austerity and economic growth are gender-specific, as fiscal austerity measures and negative economic growth significantly increase male suicide rates, while no significantly effects of fiscal austerity and negative economic growth on female suicide rates could be identified. These results have important implications for policy makers, and for the creation and implementation of specialised suicide prevention programs in Greece by national health agencies.
Time: Sa 09:00-10:30, SR2

Birth weight and family status revisited: Evidence from Austrian Register Data

Wolfgang Frimmel, Gerald J. Pruckner

Abstract: In this paper, we study the socio-economic determinants of birth weight, with a focus on the mother's family status. We use Austrian birth register data covering all births between 1984 and 2007 and find that a mother's marriage is associated with a higher birth weight of the newborn, in the range of 40 to 60 grams. The significant impact is retained if we include mother fixed effects or use an instrumental variable approach to account for unobserved mother heterogeneity. However, the magnitude of the causal effect (37 grams) clearly indicates the importance of selection into marriage. Divorce around pregnancy results in significantly lower birth weights than the birth weights of babies born to single mothers. Family status effects in the 2000s are stronger than they were in the 1980s, and quantile regressions suggest that family effects are more pronounced at the lower quantiles of the birth weight distribution and less pronounced at higher quantiles. We conclude that social and financial stress may have an important influence on the birth weight of newborns, especially at the lower tail of the birth weight distribution.
Time: Sa 09:00-10:30, SR2

Prescribed and Non-Prescribed Medicine Use by Social Class: The Case of Austria

Susanne Mayer, August Österle, Martin Zuba

Abstract: In terms of inequality and health, relatively little is still known about potential inequalities stemming from the medical treatment. The aim of the present study is therefore to investigate the social determinants of prescribed and non-prescribed medicine use in Austria. Multivariate logistic regressions are estimated based on cross-sectional data from the 2007 European Health Interview Survey (EHIS; 15,474 observations). This analysis indeed reveals an interesting tendency: in Austria, the use of prescribed and non-prescribed medicines differs significantly between socioeconomic classes, and even points at horizontal inequity.
Time: Sa 09:00-10:30, SR2

Industrial Organization

Pharmaceutical regulation at the wholesale level and parallel trade

Laura Birg

Abstract: This paper studies the effect of pharmaceutical regulation at the wholesale level, if markets are integrated by parallel trade, i.e. trade outside the manufacturer's authorized distribution channel. In particular, maximum wholesale margins, a restriction of pricing by the intermediary, and mandatory rebates, a restriction of the pricing by the manufacturer, are analyzed with respect to their effect on drug prices, quantities, and public pharmaceutical expenditure. Maximum wholesale margins enhance the manufacturer's ability to reduce competition from parallel trade in the destination country by increasing wholesale prices. In a symmetric equilibrium, maximum wholesale margins of both countries partly offset each other. Mandatory rebates may be a policy alternative, as they exhibit a reinforcing effect with respect to drug prices.
Time: Fr 16:00-17:30, SR2

How Complex is the Competition in Regulated Pharmaceutical Markets?

Berna Colak, Aysegul Timur, Andrei Barbos

Abstract: This paper constitutes an attempt at investigating processes of dynamic competition in pharmaceuticals, with reference to the nature and intensity of price competition in relation to patent expiry and different regulatory regimes. The paper uses comprehensive data on a selection of in-patent and off-patent (generic) cardiovascular medicines from IMS from the five largest European pharmaceutical markets - UK, Germany, France, Italy, Spain - to analyze the impact that pricing and reimbursement regulation and product differentiation have on market structure, diffusion and prices. The paper develops a panel data model to explain the determinants of brand-name prices and generic prices both before and after patent expiry, the impact of generic entry and generic penetration on market share and prices of brand-name drugs, the competition patterns in their off-patent sector, the determinants of generic diffusion in the presence of generic competition, and the relationship between originator branded and generic prices under different regulatory regimes. The structure of the data allows these questions to be explored at molecule level and at company level. At all levels the originator and generic markets are observable. The data is unique in that it also ensures comparability across countries. In Europe, the nature of price regulation is an important price determinant, as such policies directly affect prices. The analysis employs price indices for both originator and generic versions of each product along with regulation-specific variables, such as reference pricing and price cap systems. This can lead to the identification of factors influencing generic competition, the diffusion of generics and the impact on the savings to health insurance. At molecule level it is possible to examine price, volume and generic entry effects; thus molecule level would allow inferences to be made about the brand versus generic relationship. At company level we pursue similar questions by taking advantage of the disaggregated nature of the data where we can observe price, volume and generic entry effects

for all competitors in the data, clustered by product and competitor; thus this would take into account generic market dynamics at individual company level and, therefore, allow inferences to be made about the effect that regulation has within the generic segment. This gives rise to an extensive dataset where it is possible to account for competitor-specific effects. We also aim to establish the impact of product differentiation on price competition, diffusion and health insurance expenditures. The results suggest that the relationships between the dynamics of original drug prices, patent expiry, and generic competition are complex and differentiated across countries. The level of generic penetration remains low in some of them and a sharp contrast exists between countries. Despite the proliferation of generic policies in many countries, prices in the off-patent sector do not decline as fast as originally thought. Entry into the generic market is positively influenced by regulation through reference pricing and opportunities for product differentiation. Elements of product differentiation within generics promote diffusion, but do not reduce prices. And, health insurance does not capitalize fully on the cost advantage of generic medicines.
Time: Fr 16:00-17:30, SR2

The dynamics of industry concentration with an application to the textile industry

Nicole Palan, Andreas Rainer

Abstract: Building on the results of Palan and Schmiedeberg (2010) that, regarding sigma-divergence, the influence of intra-industry linkages can be one explanation for the significant divergence of the textile sector, with shrinking employment shares over the observation period, the empirical analysis of this study is reviewed and adapted to make them accessible for theoretical investigations. To this end, a theoretical framework is introduced combining the classical concept of the long-period position of an economy as well as the correlated choice-of-technique problems in a multi-sector setting with evolutionary economics revolving around the concept of replicator dynamics as utilized by evolutionary game theory. The proposed model is capable of explaining economic and social effects of the diffusion of innovations, leading to convergence respectively divergence patterns depending on institutional and political circumstances.
Time: Fr 16:00-17:30, SR2

Investment dynamics with information costs

Fabio Verona

Abstract: Investment in physical capital by firms is infrequent and large, or lumpy. The most common explanation for this is that firms face non-convex physical adjustment costs. The model developed in this paper shows that information (or investment planning) costs make investment lumpy at the micro level, even in the absence of non-convex adjustment costs. When collecting and processing information and making investment plans is costly, the firm optimally chooses to do it sporadically and to be inactive most of the time. This behavior results in infrequent and possibly large capital adjustments. The model fits plant-level investment rate moments remarkably well, and it also matches some higher order moments of aggregate investment rates.
Time: Fr 16:00-17:30, SR2

International Economics I

Effects of trade barriers on bilateral trade of potable water

Elisabeth Christen, Andrea Leiter-Scheiring, Michael Pfaffermayr

Abstract: This paper empirically examines the distributional consequences of reduced trade frictions and changes in water endowments and income on the international transfers of potable raw water. Based on a structural gravity model we analyze the determinants of bilateral trade flows in potable water by applying Heckman's selection model to control for a potentially systematic selection of trade participating countries. These estimates form the basis for a comprehensive comparative static analysis which shows how a (hypothetical) reduction of trade frictions between the trading partners and projected changes in water endowments and income influence (i) the exporters' market shares, (ii) the average buyer's and seller's incidences of aggregated bilateral trade costs, (iii) the constructed home bias, and (iv) the countries' welfare. We find that bilateral trade barriers crucially determine the countries' probability of trading potable water as well as the volume of water traded. A reduction in the transportation costs therefore has considerable distributional consequences regarding the countries' market shares, their within country trade and their welfare. Distributional effects -- although not that pronounced than with reduced trade barriers -- also emerge when taking into account potential future water stress through decreasing water resources and/or increasing demand for water.
Time: Fr 14:00-15:30, SR1

Innovation, Employment Growth, and Foreign Ownership of Firms. A European Perspective

Bernhard Dachs, Bettina Peters

Abstract: This paper examines how foreign-owned and domestically owned firms transform innovation into employment growth. The empirical analysis, based on the model of Harrison, Jaumandreu, Mairesse and Peters (2008), reveals important differences between the two groups: Due to general productivity increases and process innovation, foreign-owned firms experience higher job losses than domestically owned firms. At the same time, employment creating effects of product innovation are larger for foreign-owned firms. Together with employment stimulating effects stemming from existing products, they overcompensate the negative displacement effects resulting in net employment growth in foreign-owned firms. However, net employment growth is smaller in foreign-owned firms than in domestically owned firms.
Time: Fr 14:00-15:30, SR1

Structural Constrained ANOVA-type Estimation of Gravity Panel Data Models

Peter H. Egger Sergey Nigai

Abstract: In most gravity model applications, general equilibrium effects are disregarded altogether or "controlled for" by country or country-time fixed effects, and the parameter estimates on observable trade cost variables are falsely interpreted as reduced-form marginal effects rather than only direct effects of such variables on trade. This paper proposes an empirical approach which employs panel data and, apart from bilateral trade data, employs fixed country-pair effects and fixed country-time effects only. Parameters are estimated by Poisson pseudo-maximum likelihood, imposing structural constraints that ensure alignment of estimation with theory. This approach represents a large class of trade models in both estimation and comparative static analysis. Mainly due to the presence of country-pair fixed effects, the framework exhibits a high explanatory power which considerably exceeds the one of traditional models that are based on observable trade cost variables. In a panel data-set of bilateral trade among OECD countries, the correlation coeffcient between the model predictions and the data amounts to 0.97. We illustrate how general equilibrium consistent comparative static analysis can be conducted, and how the results compare with non-structural direct effects.
Time: Fr 14:00-15:30, SR1

Who Benefits from Regional Trade Agreements? The View from the Stock Market

Christoph Moser, Andrew Rose

Abstract: The effects of Regional Trade Agreements (RTAs) are disputed. In this paper, we assess these effects using stock returns from a recent data set that spans over two hundred RTA announcements, eighty economies, and twenty years. We measure the effects of news concerning RTAs on the returns of national stock markets, and adjust these returns for international stock market movements. We then link these abnormal returns to features of the RTA members and the agreements themselves. We find evidence of the natural trading partner hypothesis; stock markets rise more when RTAs are signed between countries that already engage in high volumes of trade. Stock markets also rise more when poorer countries sign RTAs. Our results do not suggest expected trade (or profit) diversion effects to be a relevant factor.
Time: Fr 14:00-15:30, SR1

International Economics II

Persistence vs. mobility in industrial and technological specialisations: Evidence from 11 Euro area countries

Chiappini Raphaël

Abstract: This paper analyses the evolution of the specialisation pattern of 11 Euro area countries by analysing their comparative and technological advantages over the period 1990-2008. Using the estimation of marginal densities and Markov transition probabilities, we examine both the external shape of the distribution of technological and comparative advantages and the intra-distribution dynamics. Our results point out that there is, on average, a high persistence in industrial specialisation patterns of the 11 Euro area countries under scrutiny, confirming a lock-in effect, notably for Italy. Nevertheless, our results related to technological specialisation reveal a large mobility of technological advantages during the same period, especially in Spain.
Time: Fr 16:00-17:30, SR1

Intra-European Competition, Earnings and Endogenous Firm Entry Institutions

Povilas Lastauskas

Abstract: The paper analyses relationship between firm entry institutions which are modelled as sunk and fixed costs and import competition. Recently, European Union (EU) leaders have called for strong, efficient-working, common institutions to act effectively. However, empirics reveal a wide heterogeneity in institutions related to market entry and business regulation even inside the Union. I provide empirical evidence on a strong negative correlation between import dependence (intra-EU competition) and business startup costs, also labour income and startup costs for the aggregate EU data. There is a clear tendency for startup costs to decrease over time. Interestingly, several individual countries seem to benefit from excessive firm regulation. I build a multi-country heterogeneous firm trade model to produce the empirical facts and explore the role of startup costs on intra-EU competition and further economic integration.
Time: Fr 16:00-17:30, SR1

Spatial Dynamics of Income Inequality in Austria

Mathias Moser, Matthias Schnetzer

Abstract: Income inequality is generally assessed by using a number of different methods that often neglect the impact of location on the results. The use of spatial methods to shed light on regional income inequality has been applied on a small set of countries, mostly due to the problem of data availability. Using a tax dataset of all Austrian wage earners including geographic information, we

analyze spatial dynamics of income inequality in Austria. We obtain results for spatial dependence on different geographical levels. Using this information we investigate clusters of high income earners and the distribution of income and inequality regarding regional units.
Time: Fr 16:00-17:30, SR1

Foreign Trade in the Austrian Regions – A new methodology to estimate regional trade and an analysis of the crisis effects

Roman Römisch

Abstract: Foreign trade is a key element for economic development and growth of both a country and its regions. This paper focuses on foreign trade in the Austrian regions (Bundesländer). Unfortunately, data on regional trade in Austria is only available on a very limited basis. The aim of this paper is to develop new methodologies for the estimation of exports and imports of Austrian regions and analyse the data generated by this methodology. The basic idea is to disaggregate national foreign trade data to the regional level by using national input-output, regional employment and other supplemental data. This allows estimating Austrian regional foreign trade for the years 1999 to 2009. The study shows a large variation in trade among regions. Lower Austria, Upper Austria, Styria and Vorarlberg are the regions with the highest export share. The importance of regional trade increases between 1999 and 2008; the crisis in 2009 had a strong negative impact. Furthermore, the competitiveness of regions differs considerably. Only three regions, Upper Austria, Styria and Vorarlberg, show trade surplus.
Time: Fr 16:00-17:30, SR1

International Macroeconomics I

What Drives Target2 Balances? Evidence From a Panel Analysis

Raphael Auer

Abstract: What are the drivers of the large Target2 (T2) balances that have emerged in the European Monetary Union since the start of the financial crisis in 2007? This paper examines the extent to which the evolution of national T2 balances can be statistically associated with cross-border private capital flows and current account (CA) balances. In a quarterly panel spanning the years 1999 to 2012 and twelve countries, it is shown that while the CA and the evolution of T2 balances were unrelated until the start of the 2007 financial crisis, since then, the relation between these two variables has become statistically significant and economically sizeable. This reflects the "sudden stop" to private sector capital that funded CA imbalances beforehand. I next examine how different types of private capital flows have evolved over the last years and how this can be related to the evolution of T2 balances, finding some deposit flight by private customers, a substantial retrenchment of cross-border interbank lending, and also an increase of bank's holdings of high-quality sovereign debt. My first conclusion from this analysis is that since T2 imbalances were caused by a sudden stop and are unlikely to grow without bounds since Euro area CA imbalances are currently diminishing at a rapid pace, there is no evidence that the institutional setup of the European Monetary Union needs to be reformed fundamentally. My second conclusion relates to how the current system transfers risks across the currency union, both in terms of risk transfer from T2 debtor to T2 creditor nations and in terms of risk transfer from the private sector to the public sector within T2 creditor nations. I evaluate existing reform proposals in the light of these risk transfers.
Time: Fr 16:00-17:30, SR14

Monetary and Fiscal Policy in a Monetary Union under the Zero Lower Bound constraint

Stefanie Flotho

Abstract: This paper explicitly models strategic interaction between two independent national fiscal authorities and a single central bank in a simple New Keynesian model of a monetary union. Monetary policy is constrained by the zero lower bound on nominal interest rates. Coordination of fiscal policies does not always lead to the best welfare effects. It depends on the nature of the shocks whether governments prefer to coordinate or not coordinate. The size of the government multipliers depend on the combination of the intraunion competitiveness parameters. They get larger in case of implementation lags of fiscal policy.
Time: Fr 16:00-17:30, SR14

Information Frictions and the Law of One Price: When the States and the Kingdom became United

Claudia Steinwender

Abstract: Observed violations of the Law of One Price (LOP) are one of the most controversially discussed puzzles in International Trade. Information frictions have been suggested as a potential explanation, but empirical evidence is hard to find because information flows are complex, usually unobserved and notoriously endogenous. This paper uses a historical experiment to circumvent these problems: the transatlantic telegraph cable, connecting Great Britain and the United States in 1866. The telegraph reduced information frictions dramatically and suddenly. Using detailed data on information flows and cotton prices from historical newspapers, I demonstrate how information frictions impede adherence to the LOP. I then develop a model of international trade to explain the behavior of intermediaries when faced with information frictions. Intermediaries use available information to form an expectation about prices. This generates distortions in trade flows that are consistent with historical data. I use the model to estimate the welfare effects of information frictions. The welfare gains from the telegraph are equivalent to those from abolishing a 10% ad valorem tariff.
Time: Fr 16:00-17:30, SR14

European Macro-Financial Solidarity Mechanisms 1971-1993

Harald Stieber

Abstract: Financial solidarity between member states of the European Union has a 60 years-old history going back right to the origins of the European project in the early 1950s. However, the first 20 years or so were dominated by the financing of projects in the context of rapidly rebuilding European economies. This early period has to be seen also in the broader context of the Bretton Woods system and in particular the creation of the IMF. The first severe tests to the Union's solidarity mechanisms with a macro-financial dimension came during the oil shocks which led to peaks in macroeconomic imbalances in the mid-seventies and mid-eighties. I explain the origins and motivations for the instruments for balance-of-payments assistance developed during this period. I document the evolution of European macro-financial solidarity mechanisms by examining various episodes of activation of the instrument, filling a gap in the literature on the history of European economic and financial integration. Finally, revisiting the history of European macro-financial stability tools during the period between the Bretton Woods system of fixed exchange rates and the creation of Economic and Monetary Union (EMU) can further our understanding of recently developed and reinforced financial solidarity mechanisms at the European and the global level.
Time: Fr 16:00-17:30, SR14

The Mode of Competition between Foreign and Domestic Goods, Pass-Through, and External Adjustment

Raphael A Auer and Raphael Schoenle

Abstract: While Armington's (1969) notion that the set of imported goods is differentiated from domestically produced goods is well established in the field of international trade, there exists little analysis of how this degree of "origin-differentiation" affects pass-through into import and domestic prices following exchange rate movements and how such movements in relative markups affect external adjustment. In this paper, we investigate these issues using the information in the micro price data underlying the official US import and producer price indices. First, we develop a parsimonious model that allows for both pricing-to-market of imported goods and price complementarities between imported and domestic goods. The model builds on the two-tiered CES preference structure of Dornbusch (1987) and Atkeson and Burstein (2008), in which varieties are combined to produce a sector's output. We extent this setup by allowing for the possibility that foreign and domestic varieties are not equally substitutable within sectors. Second, we structurally estimate the parameters of interest in our preference framework -- the elasticity of substitution between varieties from the same origin, between foreign and domestic goods, and across sectors -- using the information in the micro price data underlying the US import and producer price indices. Our main empirical finding is that the across-origin elasticity of substitution between the imported and domestic varieties is equal to around 4, while the within-origin elasticity amongst domestic or amongst imported varieties is equal to around 9; the set of foreign and imported goods is quite differentiated, but far from being perfectly so. This has two implications regarding pricing decisions. The first is that there can be substantial pricing-to-market by foreign firms even if these firms are small compared to the domestic industry. The second is that the price response of domestic firms to exchange rate movements is small (though non-negligible). We then highlight the implications of our finding for the nature of external adjustment. First, the fact that the sets of imported and domestic goods are substantially differentiated leads to a small quantity response for any given movement in the relative price of imported versus domestic goods. Second, since a higher degree of "origin-differentiation" goes along with lower exchange rate pass-through, not only the quantity but also the relative price movement of imported goods is smaller the more imported and domestic goods are differentiated. Even a moderate degree of origin-differentiation thus leads to very low rate of external adjustment.
Time: Sa 09:00-10:30, SR14

The regime dynamics of industries in the Euro area: a euro effect?

Dias, J.G. Ramos, S.B.

Abstract: Country versus industry factors has been subject of much research by academics and practitioners in the last decades due to the recognition of its importance in top-down diversification

strategies. This paper revisits this trade-off using a new methodology that takes into account the switching dynamics between regimes. We analyze the contention that if national factors have lost importance after the introduction of the euro, then we should find more similarities in the regime dynamics of industries of different countries. We analyze ten industries of the ten original EMU countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, and Spain. Our results show that i) there is a core group of industries that share the same dynamics, that comprises the majority of industries of France and Germany; ii) a large number of industries has changed the dynamics after the euro and gain more similarities in the regime dynamics with the core group of the euro zone, mainly industries from Italy and some from Spain and Finland; iii) it still persists a small group of industries with unchanged dynamics, and other that has diverged from the core group after the launch of the euro; iv) the clustering analysis of industries does not indicate a clear difference between the dynamics of countries and industries; v) synchronization has increased among industries, except for the group of divergent industries.
Time: Sa 09:00-10:30, SR14

The Ideal Loan and the Patterns of Cross-Border Bank Lending

Bettina Brüggemann, Jörn Kleinert, Esteban Prieto

Abstract: A typical loan offer is a differentiated product with various negotiated characteristics (maturity, amount, timing, collateral, disclosure requirements) which involve costs that go beyond the mere interest rate. Taking into account all costs, a firm chooses the cost minimizing loan offer. Based on this decision criterion, we derive the probability of a firm from country i to choose a loan contract from a bank in country j. We use this probability to derive a gravity equation for cross-border bank loans. Finally, we estimate the gravity equation based on the theoretical model controlling for the unobserved heterogeneity proposed by our theory.
Time: Sa 09:00-10:30, SR14

Does the ECB synchronize Business Cycles?

Martin Gächter, Aleksandra Riedl

Abstract: We examine whether the implementation of the euro had a significantly positive impact on the synchronization of business cycles among members of the European Monetary Union due to the commonality of monetary shocks under the European Central Bank. Empirical evidence on this relationship is rare so far and suffers from methodical weaknesses, such as the absence of time variability, which is crucial for addressing this issue. Using a synchronization index that is constructed on a year-by-year basis, we uncover a strong and robust empirical finding: the adoption of the euro has significantly increased the correlation of member countries' business cycles above and beyond the effect of higher trade integration. On this view, our results substantially strengthen the conclusion by Frankel & Rose (1998, EJ), i.e. a country is more likely to satisfy the criteria for entry into a currency union ex post rather than ex ante. Surprisingly, however, this reasoning is even verified when controlling for the effect of increased trade linkages implied by entering a currency union.
Time: Sa 09:00-10:30, SR14

International Macroeconomics III

Financial Liberalization and Crises in Transition Economies: What Have 20+ Years Taught Us?

Christopher Andrew Hartwell

Abstract: Financial liberalization, whether internal or external, has facilitated the creation of market economies, but it also has exposed transition countries and their real economies to volatility from international financial markets. With uneven financial liberalization across the transition space, a key question is, does increasing the level and pace of financial liberalization unduly expose countries to crises? And if a crisis does strike, does a liberalized financial sector help countries to weather crises better they would have otherwise? Using a database of 28 transition economies from 1989-2010 compiled from World Bank and Global Insight data, we examine the performance of several economic indicators (including private sector share of GDP, per capita savings, FDI inflows, and fixed capital formation) in periods of crisis as a function of financial sector liberalization and other institutional factors. Using fixed-effects, GLS, and GMM estimators, results show a strong correlation between banking reform and/or financial openness and positive economic outcomes, even during crisis periods. The complete results point to the fact that while liberalization and integration in international financial markets carries a risk of contagion, the benefits of liberalization outweigh these risks; more importantly, liberalization can help to moderate the effects of a crisis if and when it does strike.
Time: Sa 13:30-15:00, SR14

EU Enlargement and Satisfaction with Democracy: A Peculiar Case of Immizerising Growth

Barbara Dluhosch, Daniel Horgos, Klaus W. Zimmermann

Abstract: Studies on EU enlargement mostly focus on its welfare-economic and much less so on its public-choice dimension. Yet, the latter may be as important as the former when it comes to sustain integration. This paper aims at filling the gap by exploring theoretically and empirically how enlargement of multi-level systems like the EU affects satisfaction with democracy (SWD) and voter turnout (PART). In order to assess the effects of a widening in membership, we present a novel approach that draws on the probability of being outvoted. We find that, given the institutional arrangement, enlargement tends to depress SWD. Our theoretical results are backed by empirical evidence in German Eurobarometer data displaying a tendency towards a decline in SWD that shows up in a significant fall in PART with growth in EU-membership.
Time: Sa 13:30-15:00, SR14

Quo vadis? European Integration seen from the Perspectives of Austrian Economics

Karl Socher

Abstract: The fundamental aim of European integration had been peace, to be reached with "an ever closer union". This would end in a "United State of Europe". The recent plans for further centralization in the EU, with the ESM. a monetary-, fiscal-, debt- and banking union will not serve the aim of peace but will create tensions due to less freedom and more redistribution between member states. A survival of the Euro without fiscal-debt- and banking union seems possible, when reforms of monetary police according to Austrian Economics take place. Money has to be de-nationalized and money-creating banks supervised from the central bank and separated from investment-banks and the security markets.
Time: Sa 13:30-15:00, SR14

Invited Session: Evironmental Economics

Corporate environmental responsibility, consumers' trust and imperfect competition

Carmen Arguedas, Esther Blanco

Abstract: In this paper, we analyze the strategic decision of firms to certify their voluntary environmental efforts in settings with different levels of consumers' trust on firms' environmental claims. We present an oligopoly model of vertical product differentiation where firms decide their environmental strategy and compete à la Cournot. We assume that firms either (i) voluntary abate beyond the legal limits and certify their abatement through an ecolabel (ecolabel strategy); or (ii) voluntary abate beyond the legal limits without certification (green strategy); or (iii) do not engage in any voluntary environmental initiative (brown strategy). We show that firms' preferred environmental strategies, equilibrium prices and quantities are crucially affected by consumers' trust on firms' environmental claims, as well as on the level of abatement costs, certification costs and the number of firms. When consumers' trust increase, the number of firms that undertake voluntary abatement increases, but the number of certified firms decrease. When the three environmental strategies coexist in equilibrium, we find that the differentiation premium is below the unit abatement cost, while the certification premium is above the unit certification cost.
Time: Fr 14:00-15:30, SR15

Tensions Between the Resource Damage and the Private Benefits of Appropriation in the Commons

Esther Blanco, Maria Claudia Lopez, James M. Walker

Abstract: This study examines appropriation decisions in a linear appropriation game setting with variations in the resource damage from appropriation and simultaneous variations in the resource damage and the opportunity cost of conservation, where the ratio of these two variables is held constant. In symmetric and asymmetric group contexts, subjects make decisions without feedback from a menu of seven decision situations. In summary, individual appropriation levels are found to be inversely correlated with the ratio of marginal resource damage from appropriation to the marginal private benefit of appropriation and no significant differences are observed in individual appropriation levels across treatments where this ratio is equal. Moreover, among subjects facing the same marginal incentives, no significant differences are found between decisions of subjects in symmetric and asymmetric groups. Finally, using forecasts of others' appropriation decisions; we find evidence of both a direct effect from changes in marginal monetary incentives and an indirect effect associated with changes in subjects' first order beliefs of the appropriation decisions of others. These findings are consistent with previous evidence for public goods games supporting the relevance of the marginal per-capita return and conditional reciprocity in explaining variations in cooperation levels.
Time: Fr 14:00-15:30, SR15

Setting one voluntary standard in a heterogeneous Europe - EMAS, environmental taxes and institutional quality

Blanco, Esther, Borsky, Stefan

Abstract: This paper addresses the determinants of the implementation rate of the Environmental Management and Auditing System (EMAS): one European Union wide standard certifying firms' voluntary behavior within European Union countries,. Using a panel poisson regression model on the number of EMAS registrations, this paper focuses on the differences between countries' environmental regulatory stringency and institutional quality. Results show that the relevant differences in these two aspects among countries significantly explain the number of EMAS certifications. A stricter environmental regulation, which increases the threshold of environmental efforts qualifying for voluntary abatement, decreases the number of EMAS certificates. Similarly, the lower the institutional quality, which reduces the de facto enforcement of regulation, the higher the number of EMAS certificates. Interestingly, the interaction term between these variables support a crowding-in of voluntary action for increases in environmental regulatory pressure in countries with high institutional quality. In sum, results illustrate how setting one voluntary standard common to all countries in a heterogeneous Europe results in relevant differences in its success of implementation.
Time: Fr 14:00-15:30, SR15

Invited Session: Institutional Economics

Institutional Incongruence: A Spatio-Temporal Framework to Understand Socio-Economic Change

Andreas Exenberger

Abstract: To get institutions right, is a fundamental challenge for all societies. This article provides a categorization of the problem with a special emphasize to avoid institutional incongruence, i.e. the misfit of institutional change to existing institutional structures, systems and developments. It consists of a spatio-temporal framework, based on works by Oliver E. Williamson, Douglass C. North and Immanuel M. Wallerstein, which reveals three sources of institutional incongruence: time, space, and transition period. We conclude that change is a function of stickiness and opportunity, strongly influenced by institutional congruence in time and space.
Time: Sa 13:30-15:00, SR3

How Does Institutional Change Coincide with Changes in the Quality of Life? An Exemplary Case Study

Simon Hartmann Andreas Exenberger

Abstract: The paper looks at how institutional change does coincide with alterations in capabilities and incidences of violence. Therefore we develop a framework for analysis and indicators to assess changes in political and economic institutions within societies and look how they correlate with the quality of life – income, school enrollment, life expectancy, and violence – in the long run. In order to show applicability of the framework we provide an exemplary case study: the Democratic Republic of the Congo. As results, we find institutional change which is effective and institutional change which is ineffective with respect to changes in the quality of life (including periods of promising change in institutions meeting with negative developments in the quality of life); hence we also elaborate on external effects (world market prices, trade patterns, wars) and non-institutional factors as alternative explanations for change and on hybrid forms of change. Finally we propose extension of the framework, especially with respect to in-depth studies, and its application to comparative case studies.
Time: Sa 13:30-15:00, SR3

When do institutional transfers work? The relation between institutions, culture and the transplant effect

Valentin Seidler

Abstract: Most economists agree that institutions are important for economic development, but little is known of why institutional transplants have been largely disappointing. Berkowitz et al. (2001) have argued that because of what they call the transplant effect, imported law lacks effectiveness unless there is initial level of familiarity in the receiving country or the imported law is successfully adapted to the local legal norms. Yet the experience of some countries shows that institutional transfers are possible: Why have some countries been more successful than others in importing foreign institutions? The paper introduces an analytical framework based on institutional economics and investigates the transplant effect on the Kanuri of Bornu, a larger ethnic group in northeastern Nigeria. Institutions transferred during colonial rule and the early years of independence have been largely ineffective in Bornu. Which contextual factors have influenced this low level of acceptance? In the case of the Bornu, the lack of an educated bureaucratic class (in particular compared with the capital Lagos) and strong political leadership around independence as well as generally low levels of education and urbanization have contributed to the low effectiveness of imported British institutions.
Time: Sa 13:30-15:00, SR3

Invited Session: www for Europe

Determinants of Greenfield Foreign Direct Investment in Intangible Assets

Martin Falk

Abstract: This article investigates the determinants of bilateral Greenfield FDI projects/flows in intangible assets defined as R&D, design and testing activities from 24 OECD/BRIC countries to 40 industrialized and emerging countries for the period 2003-2010. The empirical results using the random effects negative binomial regression model show that Greenfield investments in intangible assets depend on geographical distance, common language, hourly wage costs, skills measured as tertiary education, entry regulations, ICT infrastructure, and co-location with manufacturing FDI. Furthermore, the results show that the impact of FDI determinants differs between EU host countries and the total sample including all major industrialised and emerging countries as host countries. For the EU countries, the share of tertiary education is the most important determinant of Greenfield FDI in intangible assets activities while for the total sample, share of tertiary education, entry regulation costs and internet infrastructure are significant and important factors.
Time: Fr 14:00-15:30, SR3

The Bumpy Road to Convergence

Matthias Firgo, Peter Huber

Abstract: We analyze the anatomy of regional growth and convergence processes in Europe from 1991 to 2009. Focusing on within-country developments allows us to study the growth behavior of regions development beyond national factors and to study regional development in the framework of currency unions. For each country we split regions into four groups depending on their initial level of GDP per capita and their growth performance throughout the period observed. We investigate how regions converging from the bottom differ from poor regions that are falling further behind and from high-income regions that are leapfrogging ahead. We show that the road to unconditional within-country convergence is far from being an automatism or a continuous process. It is rather characterized by the existence of frequent short-run processes of catching-up and falling behind. In an econometric analysis we identify human capital and innovation as the main predictors for unconditional long-run convergence.
Time: Fr 14:00-15:30, SR3

Career choice in academia

Jürgen Janger, Klaus Nowotny

Abstract: Differences in research productivity are not only due to the levels of inputs, but also to the governance and design of research institutions. If some features of university organization matter for research success, we should see researchers gravitating towards jobs which offer these features. Based on a unique and extensive international survey conducted among almost 16.000 researchers working in various countries, fields and at different career stages, we estimate the determinants of job choice in academia following an experimental approach. We conclude on which features universities should offer to be attractive and how this is influenced by national higher education frameworks.
Time: Fr 14:00-15:30, SR3

Institutions and the Location Decisions of Highly Skilled Migrants to Europe

Klaus Nowotny

Abstract: The economic literature provides ample evidence that the migration of highly skilled workers is beneficial for the host economy. Yet, when compared to countries such as the U.S. or Canada, Europe receives a lower share of migrants with tertiary education, boosting concerns that the EU is not attracting enough highly skilled migrants. There is, however, considerable heterogeneity in the share of highly-skilled migrants across EU-15 countries which is even more pronounced at the regional level. The paper uses this heterogeneity to investigate how institutional measures of labour market, migration and welfare policy impact on the extent and educational structure of migration and to analyze which economic, labor market and institutional factors favor the immigration of the highly skilled. Controlling for a variety of regional characteristics, the regressions show both similarities and differences in the determinants of location choice between high- and low-skilled migrants: while regulations governing labor market access, access to nationality and political participation are important only for the highly skilled, low-skill migrants appear to care more about family reunion and long term residence opportunities. While countries with higher tax levels and tax progressivity are less attractive for both high- and low-skill migrants, mixed results can be found for variables representing the generosity of the welfare system.
Time: Fr 14:00-15:30, SR3

Labor economics I

Testing instrument validity for LATE identification based on inequality moment constraints

Martin Huber, Giovanni Mellace

Abstract: We derive testable implications of instrument validity in just identified treatment effect models with endogeneity and consider several tests. The identifying assumptions of the local average treatment effect allow us to both point identify and bound the mean potential outcomes (i) of the always takers under treatment and (ii) of the never takers under non-treatment. The point identified means must lie within their respective bounds, which provides us with four testable inequality moment constraints. Furthermore, we use dominance/equality restrictions on potential outcomes across subpopulations to increase the power to detect violations of instrument validity. Finally, we adapt our testing framework to the identification of distributional features (as local quantile treatment effects). A brief simulation study and an application to labor market data are also provided.
Time: Fr 16:00-17:30, SR9

Relaxing monotonicity in the identification of local average treatment effects

Martin Huber, Giovanni Mellace

Abstract: In heterogeneous treatment effect models with endogeneity, the identification of the local average treatment effect (LATE) typically relies on an instrument that satisfies two conditions: (i) joint independence of the potential post-instrument variables and the instrument and (ii) monotonicity of the treatment in the instrument, see Imbens and Angrist (1994). We show that identification is still feasible when replacing monotonicity by a strictly weaker local monotonicity condition. We demonstrate that the latter allows identifying the LATEs on the (i) compliers (whose treatment reacts to the instrument in the intended way), (ii) defiers (who react counter-intuitively), and (iii) both populations jointly. Furthermore, (i) and (iii) coincides with standard LATE if monotonicity holds. We also present an application to the quarter of birth instrument of Angrist and Krueger (1991).
Time: Fr 16:00-17:30, SR9

Who Creates Jobs? Estimating Job Creation Rates at the Firm Level

Peter Huber, Harald Oberhofer, Michael Pfaffermayr

Abstract: This paper shows that applying simple employment-weighted OLS estimation to Davis, Haltiwanger and Schuh (1996) firm level job creation rates taking the values 2 and -2 for entering and exiting firms, respectively, provides biased and inconsistent parameter estimates. Consequently, we argue that entries and exits should be analyzed separately and propose an alternative, consistent estimation procedure assuming that the size of continuing firms follows a lognormal distribution. A small-scale Monte Carlo analysis confirms the analytical results. Using a sample of Austrian firms, we demonstrate that the impact of small firms on net job creation is substantially underestimated when applying employment-weighted OLS estimation.
Time: Fr 16:00-17:30, SR9

Effect of Past Coworkers on Job Search Evidence from Austria

Peri Saygin, Andrea Weber, Michele Weynandt

Abstract: This paper evaluates the strength of information flow from employed past coworkers on the re-employment duration of displaced workers due to plant closures in Austria. Using the Austrian Social Security Database (a matched employer-employee database) we exploit the panel structure of 36 years of data to construct the network of past coworkers. The paper also evaluates the subsequent match quality based on re-entry wages and re-entry tenure. We find that a 10 percentage point increase in the network employment rate leads to a 3.2 percent increase in the exit hazard from unemployment, to a 0.5 EUR increase in the daily re-entry wages and a 0.4 percentage point increase in the probability to have tenure of at least a year. Additionally we find a significant difference between males and females.
Time: Fr 16:00-17:30, SR9

Labor economics II

Population Ageing and Private Consumption – Modelling potential effects with an almost ideal demand system for Austria

Birgit Aigner-Walder

Abstract: The on-going ageing process in industrialized countries will affect the economic development in various ways. This paper analyses potential effects of the demographic change on private consumption. Differences in consumption behaviour by age are examined through the estimation of a demand system for Austria. Besides the analysis of the estimated age-specific demand elasticities, the model is used to simulate possible consequences of the demographic change on the consumption structure in Austria. Hereby, four scenarios are considered: The effects of the ageing of the population, projections in the development of the household size, income distribution and price changes on the consumption structure on national and regional level are analysed.
Time: Sa 09:00-10:30, SR9

Labour market mobility in 2005-2011: the case of Latvia

Ludmila Fadejeva, Ieva Brauksa

Abstract: This research gives an overview of labour market internal and occupational mobility in Latvia comparing periods before, during and after the crisis. It uses both labour flow analysis and survival analysis to evaluate labour mobility and to determine its influencing factors. The analysis is based on Labour Force Survey (LFS) longitudinal data for 2005-2011. This paper analyses probabilities to change status of economical activity and explores the impact of different factors on the risk of an employee to lose or find a job. The paper investigates possible asymmetric responses of labour market during extreme period of economic growth and bust, provides detailed information on labour market mobility aspects (such as change between type of contract, sector and region of work) and on factors determining employment/unemployment probability.
Time: Sa 09:00-10:30, SR9

Differences in Employment Volatility between Foreign and Domestic Companies: Elasticity of Labour Demand vs. Exposure to Shocks

Jaanika Meriküll, Tairi Rõõm

Abstract: This paper analyses differences in employment volatility in multinational and domestic companies. In addition to giving an overview of the volatility gaps for 24 European countries using firm-level data, we explore the sources of volatility differences. The presence of foreign-owned

companies may lead to higher employment volatility because foreign firms react more sensitively to changes in labour demand in host countries or because multinational enterprises are more exposed to external shocks. Our analysis implies that both of these factors contribute to higher total employment volatility in multinational companies in the Central and Eastern European (CEE) countries. In Western European (WE) countries, multinational firms are more exposed to economic shocks but labour demand tends to be less elastic in foreign-owned than domestic firms, which has an offsetting effect on total employment volatility. These diverging findings on labour demand elasticity for CEE and WE countries are related to labour market institutions, multinational companies shift the adjustment of employment in response to economic shocks to these countries or regions where it is easier to adjust. We also find that vertical FDI in low-wage countries contributes to higher employment volatility in host country.
Time: Sa 09:00-10:30, SR9

Labour Unions and Unemployment in a Globalized Economy

Katarzyna Rymuza

Abstract: In this paper I analyse how trade, migration and firm mobility simultaneously influence unemployment and real wages in unionised labour markets. As in the core periphery model of economic geography, if trade costs are sufficiently low, immigration and firm relocation reinforce each other and lead to agglomeration, which in my model decreases unemployment. Whether agglomeration will take place in a country depends on its relative size before trade and factor flow liberalisation, but also on the strength of unions in this country. High bargaining power of unions deters firms and attracts workers to a country. I show that depending on whether firms or migrants relocate faster, high bargaining power in a country makes agglomeration there more or less likely.
Time: Sa 09:00-10:30, SR9

Macroeconomics

Financing Conditions at the Firm-Level: Firm-Specific Shocks and Aggregate Profitability

Jarko Fidrmuc, Johann Scharler

Abstract: We analyze the relationship between firm-specific shocks and aggregate fluctuations. We argue that arrears of firms affected by a negative shock increase. To the extent that the banks cannot distinguish between aggregate and firm-specific sources of the increase arrears, they will adjust interest rates for all borrowers. We test the influence of individual and bank specific data on lending rate using individual data for firm-bank relationships in Germany between 2005 and 2007. We provide the evidence that firm lending conditions depend on both individual and aggregate profitability, however, aggregate profitability is more important than the firm-specific profitability indicators.
Time: Fr 14:00-15:30, SR14

Do Heterogeneous Expectations Constitute a Challenge for Policy Interaction?

Emanuel Gasteiger

Abstract: Yes, indeed; at least when it comes to fiscal and monetary policy interaction. We examine a Neo-Classical economy, where agents have either rational or adaptive expectations. We demonstrate that the monetarist solution can be unique and stationary under a passive fiscal/active monetary policy regime, because active monetary policy incorporates expectational heterogeneity. In contrast, under an active fiscal/passive monetary policy regime, the fiscalist solution is prone to explosive dynamics due to empirically plausible expectational heterogeneity. However, conditional on stationarity, both regimes can yield promising business cycle dynamics, which are absent in the homogeneous expectations benchmark.
Time: Fr 14:00-15:30, SR14

"Haircuts" for the EMU Periphery: Virtue or Vice?

Reinhard Neck, Dmitri Blüschke

Abstract: We use a dynamic game model of a two-country monetary union to study the impacts of an exogenous fall in aggregate demand, the resulting increase in public debt, and the consequences of a sovereign debt "haircut" for a member country or bloc of the union. In this union, the governments of participating countries pursue national goals when deciding on fiscal policies, while the common central bank's monetary policy aims at union-wide objective variables. The union considered is asymmetric, consisting of a "core" with lower initial public debt, and a "periphery" with higher initial public debt. The "periphery'' may experience a debt relief ("haircut") due to an

evolving high sovereign debt. Calibrating the model to the Euro Area, we calculate numerical solutions of the dynamic game between the governments and the central bank using the OPTGAME algorithm. We show that a "haircut" as modeled in our study is disadvantageous for both the "core" and the "periphery" of the monetary union. Moreover, the cooperative solution is preferable to the noncooperative equilibrium solution (both without and with a "haircut"), providing an argument for coordinated fiscal policies in a monetary union.
Time: Fr 14:00-15:30, SR14

Do Banks Lend Less in Uncertain Times?

Burkhard Raunig, Johann Scharler, Friedrich Sindermann

Abstract: In this paper, we analyze how uncertainty influences the lending behavior of U.S. commercial banks. More specifically, we employ an event study approach to analyze the loan supply development following four large jumps in uncertainty. We find that in the face of a surge of uncertainty, liquid banks reduce loan supply less than banks with a smaller liquidity ratio. Bank size also appears to be an important factor in determining loan supply after uncertainty jumps, although its role is heterogeneous across the events. In the light of the asymmetrical impact of uncertainty jumps across banks with different characteristics, we conclude that declines in lending are partly the result of a reduced supply of bank loans.
Time: Fr 14:00-15:30, SR14

Migration

The Value of Educational Signals: The Case of Foreigners, Ethnic and Native Germans in Germany

Stephan O. Hornig, Horst Rottmann, Rüdiger Wapler

Abstract: This paper analyses the effects of education signals for Ethnic Germans, foreigners and Germans without a migration background ("Native Germans"). We base our analysis on a sorting model with productivity enhancing effects of education. We compare whether the signalling value differs between the migrants and non-migrants in the German labour market. Starting from the theoretical result that only a foreign education signal leads to lower wages, we find substantial empirical differences between the three groups with the same formal education level. This empirical analysis is done with a completely new dataset based on administrative data from the German Federal Employment Agency.
Time: Sa 09:00-10:30, SR1

Return migration and illegal immigration control

Alexander Kemnitz, Karin Mayr

Abstract: This paper investigates the effectiveness of immigration control policies when the duration of stay of illegal immigrants is endogenous because they may return home voluntarily. It shows that return intentions matter. First, we find that spending on border enforcement can potentially increase the total amount of illegal labor in the receiving country. This is because, while fewer illegals enter the country, those who do enter stay longer. Second, in-site inspections reduce illegal labor, unless there is an amnesty: then, they can have the opposite effect. Third, fines on apprehended migrants have only limited effect.
Time: Sa 09:00-10:30, SR1

When a Random Sample is Not Random. Bounds on the Effect of Migration on Children Left Behind.

Andreas Steinmayr

Abstract: How does adult migration affect the educational attainment of children who stay behind? This paper revisits this question by addressing for the first time the problem of double selection using observational data - the decision to migrate and the subsequent decision whether only some or all members of a household migrate. In the latter case, the household will usually not be included in cross-sectional data at all. We tackle the resulting sample-selection problem by modeling the behavior of the household members using principal stratification. This allows identifying bounds on

the effects of migration on school attendance of children who stay behind in Mexico. The results suggest that adult migration reduces school attendance rates of boys between -0.3 and -0.13 while the direction of the effect is ambiguous for girls.
Time: Sa 09:00-10:30, SR1

Productivity Studies

Financial liberalization and productivity growth in manufacturing and service sectors: Evidence from panel investigation on sector-level data

Agnieszka Gehringer

Abstract: The paper investigates the impact of the financial integration process on economic growth, and precisely, on its sources - investment and productivity. Based on a panel of sector-level (manufacturing and service) data from the EU KLEMS database, I estimate such effects in a dynamic panel setting. Moreover, I show that the effects of financial integration, although overall positive, are uneven and they differ between manufacturing and service sectors. The main results suggest that, manufacturing sectors could profit from the process of global financial integration more than services. Moreover, European monetary and economic integration did play a complementary role to the global financial liberalization.
Time: Sa 13:30-15:00, SR2

The role played by ICT human capital in firm productivity

Eva Hagsten Anna Sabadash

Abstract: This paper broadens the research perspective on how information and communication technology (ICT) relates to growth by studying the productivity effects of increases in the proportion of ICT-intensive human capital in firms, an intangible input often neglected or difficult to measure. The effects will be investigated both on their own and together with the impact of ICT maturity in firms. Starting from an augmented Cobb Douglas specification and by means of the Ordinary Least Squares technique, where aggregate and time specific changes are held fixed, we estimate the influences on firm productivity in six European countries using the unique ESSnet on Linking of Microdata on ICT Usage Project (ESSLimit) panel dataset which covers the years 2001-2009. The results show that increases in the proportion of ICT-intensive human capital do indeed boost productivity, generally more persistently than ICT maturity gained from increases in the level of ICT usage. However, the gains vary somewhat across countries and industries, indicating that the channels through which the effects operate may be narrower for ICT-intensive human capital than for skilled human capital in general. Although theoretically expected, the results gave no clear proof of gains from an interaction between ICT maturity and human capital.
Time: Sa 13:30-15:00, SR2

The Age-Productivity Pattern: Do Location and Sector Affiliation Matter?

Bernhard Mahlberg, Inga Freund, Jesús Crespo Cuaresma and Alexia Prskawetz

Abstract: Current demographic developments are expected to challenge the sustainability of welfare in industrialized economies. Persistent low fertility levels and increasing survival rates to older age imply a decreasing share of younger individuals within the labour force that needs to support an increasing share of elderly people out of the labour force. We use matched employer-employee data for Austria at the firm level in order to study the link between age structure and labour productivity and concentrate on the role played by regional location and sector affiliation. We apply multilevel estimation techniques in order to account for systematic variation of the age-productivity pattern with regard to these two dimensions. Our results indicate that the age productivity pattern differs significantly across regions and across sectors and that sectoral differences are the more sizable source of heterogeneity in the link between age structure and firm productivity.
Time: Sa 13:30-15:00, SR2

Eco-Efficiency and Eco-Productivity change over time in a multisectoral economic system

Bernhard Mahlberg, Mikulas Luptacik

Abstract: Luptacik and Böhm [Korhonen, P., Böhm, B., 2010. Efficiency analysis of a multisectoral economic system. Central European Journal of Operations Research 18, 609-619] measure eco-efficiency of an economy by means of an augmented Leontief input-output model extended by the constraints for primary inputs. Using a multi-objective optimization model the eco-efficiency frontier of the economy is generated. The results of these multi-objective optimization problems define eco-efficient virtual decision making units (DMUs). The eco-efficiency is obtained as a solution of a DEA model with the virtual DMUs defining the potential and a DMU describing the actual performance of the economy. In this paper this procedure is extended to an intertemporal approach in the spirit of the Luenberger productivity indicator. This index permits decomposing eco-productivity change into eco-efficiency change and eco-technical change. The index is then further decompounded in a way that enables us to examine the contributions of individual production factor, individual undesirable as well as desirable output to eco-productivity change over time. For illustration purposes the proposed model is applied to investigate eco-productivity growth of the Austrian economy.
Time: Sa 13:30-15:00, SR2

Public Economics

Optimal taxation of labor income and bequests in the steady-state

Johann Brunner, Susanne Pech

Abstract: We characterize the distribution of incomes and expected inheritances in the steady-state of a dynamic economy, when the transition from parent ability to child ability is described by a Markov chain. We show that the Atkinson-Stiglitz result on the redundancy of indirect taxes does not hold in this framework, though in the long run the differences in abilities represent the only source of heterogeneity. In particular, a bequest tax allows redistribution above the level attained by an optimal labor income tax alone. While this tax also has an adverse effect by distorting the bequest decision, a uniform tax on consumption and bequests has an unambiguously positive welfare effect. For both results the empirically validated condition that a more able individual on average has more able parents than a less able individual has to be fulfilled.
Time: Sa 09:00-10:30, SR3

The firm location race - Regulating incentive packages given to firms by local and regional governments

Philip Cosmo Hanke

Abstract: This paper analyzes the competition between jurisdictions for the relocation of firms and its implications for the various national and international regimes in place in America and Europe. Because this competition is not modeled as an auction but rather as a race, local governments exert inefficiently high efforts and redistribute wealth from voters who do not profit from firm location to those who do. This setting makes the case for better investment and subsidy controls by higher-level governments.
Time: Sa 09:00-10:30, SR3

The Elasticity of Corporate Taxable Income: New Evidence from UK Tax Records

Michael Devereux, Li Liu, Simon Loretz

Abstract: We use the population of UK corporation tax returns between 2001 and 2008 to estimate the elasticity of corporate taxable income with respect to the statutory corporation tax rate. We analyse bunching in the distribution of taxable income at two kinks in the marginal rate schedule. We find an elasticity of between 0.14 and 0.18 for companies with profits around the £ 300k kink, implying a marginal deadweight cost of 8%. We find a much higher elasticity of between 0.54 and

0.57 for companies around the £ 10k kink. By matching the corporate tax return data with accounting records and analysing joint bunching in the corporate and personal tax system, we decompose this into two parts: an elasticity of total income with respect to the net of tax rate of between 0.2 and 0.3, and an elasticity of the share of income taken as profit with respect to the difference between the personal and corporate tax rates of between 0.04 and 0.07. These imply a marginal deadweight cost of the tax around £ 10k of around 25%. We find no evidence of intertemporal shifting of profit.
Time: Sa 09:00-10:30, SR3

Of Coordinators and Dictators: A Public Goods Experiment

Jürgen Fleiß, Stefan Palan

Abstract: We experimentally investigate whether human subjects are willing to give up individual freedom in return for the benefits of improved coordination. We conduct a modified iterated public goods game in which subjects in each period first decide which of two groups to join. One group employs a voluntary contribution mechanism, the other group an allocator contribution mechanism. The setup of the allocator mechanism differs between two treatments. In the coordinator treatment the randomly selected allocator can set a uniform contribution for all group members including herself. In the dictator treatment the allocator can choose different contributions for herself and all other group members. We find that subjects willingly submit to authority in both treatments, even when competing with a voluntary contribution mechanism. The allocator groups achieve strikingly high contribution levels in both treatments.
Time: Sa 09:00-10:30, SR3