

9th Workshop on Political Economy

From 27/Nov/2015 to 28/Nov/2015 in Dresden

Organizers:

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Jointly organized workshop by CESifo, the Center of Public Economics at TU Dresden and the ifo Institute for Economic Research Dresden.

Conference venue

ifo Dresden
Einsteinstraße 3
01069 Dresden
Germany

Summary program

Friday, 27 November 2015

12.45 - 13.00 Welcome Address

13.00 - 18.00 Working Group Sessions

18.15 - 19.15 Keynote Lecture
GEOFFREY BRENNAN (UNC-Chapel Hill & Duke University)

20.00 Conference Dinner

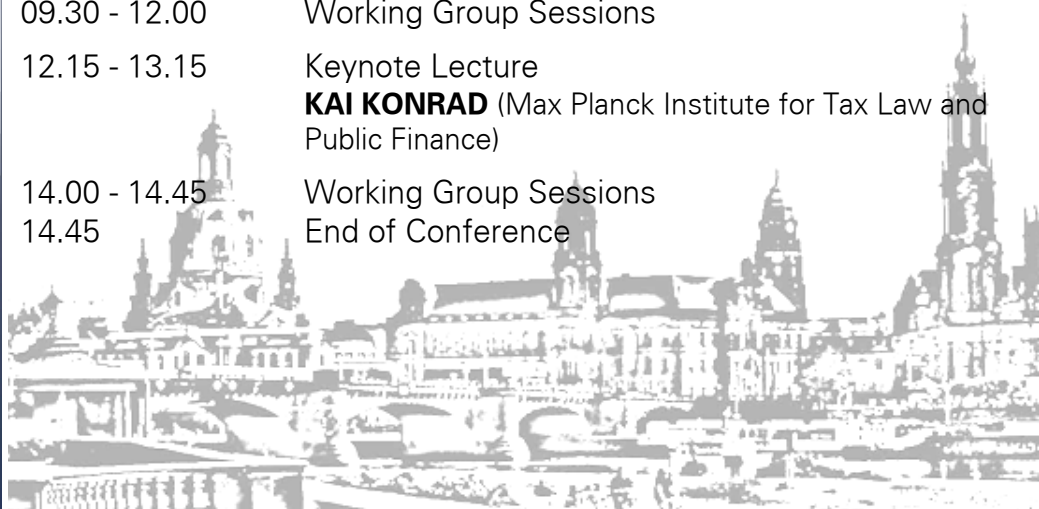
Saturday, 28 November 2015

09.30 - 12.00 Working Group Sessions

12.15 - 13.15 Keynote Lecture
KAI KONRAD (Max Planck Institute for Tax Law and Public Finance)

14.00 - 14.45 Working Group Sessions

14.45 End of Conference



Friday, 27 November, 2015

Welcome Address

12.45 -13.00 CHRISTIAN LESSMANN (TU Braunschweig)

Working Group Sessions

13.00 - 14.30 **Political Institutions** (room 1.5) **Holding on? Ethnic Divisions, Political Institutions and the Duration of Economic Declines**
 RICHARD BLUHM (Leibniz University Hannover)
Discussant: Joël Cariolle (FERDI)

Immigration, Attitudes and the Rise of the Political Right: The Role of Cultural and Economic Concerns over Immigration
 SUMIT DEOLE (University of Halle-Wittenberg)
Discussant: Christian Ochsner (ifo Dresden)

Voting (room 1.7) **Transparency in Parliamentary Voting**
 KATHARINA HOFER (University of St.Gallen)
Discussant: Giulia Savio (University of Lugano)

Let the Voters Pick Women
 GIULIA SAVIO (University of Lugano)
Discussant: Mirko Titze (Halle Institute for Economic Research)

Coffee Break

Working Group Sessions

14.45 - 16.15 **Good Politicians** (room 1.5) **Do Businessmen Make Good Governors?**
 FLORIAN NEUMEIER (Philipps-University Marburg)
Discussant: Paul Schaudt (University of Hannover)

Law Enforcement, Municipal Budget and Spillover Effects: Evidence from a Quasi-experiment in Italy
 SERGIO GALLETTA (University of Lugano)
Discussant: Lukas Schötz (University of Passau)

New Indicators (room 1.7) **Regulating the Revolving Door : A New Indicator of Conflicts of Interests**
 JOËL CARIOLLE (FERDI)
Discussant: Tim Lohse (Berlin School of Economics and Law, MPI Munich)

Democracy and Growth: Evidence from SVM DI indices
 TOMMY KRIEGER (University of Konstanz)
Discussant: Giampaolo Lecce (Bocconi University)

Coffee Break

Working Group Sessions

16.30 - 18.00 **Decentralization** (room 1.5) **Optimal Territorial Design and Decentralization**
 MARIE-LAURE BREUILLÉ (INRA)
Discussant: Maximilian Todtenhaupt (ZEW)

Fiscal Competition and Government Debt
 MAXIMILIAN TODTENHAUPT (University of Mannheim, ZEW)
Discussant: Marcel Thum (TU Dresden, CESifo, ifo Dresden)

Political Cycles (room 1.7) **Political Cycles in Public Natural Disaster Support: A Cross-Country Anaysis**
 JEROEN KLOMP (Wageningen University)
Discussant: Arne Steinkraus (TU Braunschweig)

Electoral Cycles in Fiscal Policy Composition: Evidence for Opportunism in Established Democracies
 ATSUYOSHI MOROZUMI (University of Nottingham)
Discussant: Jeroen Klomp (Wageningen University)

Coffee Break

Keynote Lecture

18.15 - 19.15 **Olson's Logic After Fifty Years**
(room 1.5)
GEOFFREY BRENNAN (UNC-Chapel Hill & Duke University)
Chair: Christian Lessmann (TU Braunschweig)

20.00 Conference Dinner at the Restaurant "Augustiner an der Frauenkirche"

Saturday, 28 November 2015

Working Group Sessions

09.30 - 10.15 **Tax Compliance** **Do Individuals Put Effort into Lying? Evidence from a Compliance Experiment**
(room 1.5) TIM LOHSE (Berlin School of Economics and Law, MPI Munich)
Discussant: Katharina Hofer (University of St.Gallen)

Aid in conflict **Aid in Conflict: How does Aid Affect Civil Conflict Dynamics?**
(room 1.7) MARTIN GASSEBNER (University of Hannover)
Discussant: Florian Neumeier (Philipps-University Marburg)

Coffee Break

Working Group Sessions

10.30 - 12.00 **Power and Rents** **Lame but Loyal Ducks**
(room 1.5) MARIANA LOPES DA FONSECA (University of Göttingen)
Discussant: Sergio Galletta (University of Lugano)

Power and Rents – Political Influence on Rent Extraction. Quasi-Experimental Evidence for Bavaria
LUKAS SCHÖTZ (University of Passau)
Discussant: Burak Erkut (TU Dresden)

Economic History **Between Hitler and Haider: Long-term Impacts of Post-WWII Occupation on Right-wing Populism in Austria**
(room 1.7) CHRISTIAN OCHSNER (ifo Dresden)
Discussant: Morozumi, Atsuyoshi (University of Nottingham)

Institutional Transplant and Cultural Proximity: Evidence from Nineteenth-Century Prussia
GIAMPAOLO LECCE (Bocconi University)
Discussant: Tommy Krieger (University of Würzburg)

Coffee Break

Keynote Lecture

- 12.15 - 13.15 **Brothers in Arms: Theory and Experimental Evidence on Alliances**
(room 1.5)
KAI KONRAD (Max Planck Institute for Tax Law and Public Finance)
Chair: Gunther Markwardt (BTU Cottbus)

Lunch Break

Working Group Sessions

- 14.00 - 14.45 **Policy evaluation** (room 1.5) **The Causal Effects of Regional Policy in Germany – Evaluating the Joint Task for ‘Improving Regional Economic Structures’ using a Regression Discontinuity Design**
MIRKO TITZE (Halle Institute for Economic Research)
Discussant: Martin Gassebner (University of Hannover)
- Alliances** (room 1.7) **Political Leaders and Foreign Policy Proximity: Do Dyadic Administration Changes Affect Voting Alignment in the United Nations General Assembly?**
PAUL SCHAUDT (University of Hannover)
Discussant: Mariana Lopes da Fonseca (University of Göttingen)

Keynote Lectures

Friday, 27 November 2015, 18.15 – 19.15, Room 1.5

Olson's Logic After Fifty Years

GEOFFREY BRENNAN

(UNC-Chapel Hill & Duke University)

Saturday, 28 November 2015, 12.15 – 13.15, Room 1.5

Brothers in Arms: Theory and Experimental Evidence on Alliances

KAI KONRAD

(Max Planck Institute for Tax Law and Public Finance)

Working Group Sessions

Friday, 27 November 2015, 13.00 – 14.30, Room 1.5

Holding on? Ethnic Divisions, Political Institutions and the Duration of Economic Declines

RICHARD BLUHM / KAJ THOMSSON

Leibniz University Hannover / Maastricht University

We analyze the duration of large economic declines and provide a theory of delayed recovery. We show theoretically that uncertain post-recovery incomes lead to a commitment problem which limits the possibility of cooperation in ethnically heterogeneous countries. Strong constraints on the executive solve this problem by reducing the uncertainty associated with cooperative behavior. We test the model using standard data on linguistic heterogeneity and detailed data on ethnic power configurations. Our findings support the key theoretical prediction: stronger constraints on the political executive shorten economic declines. The effect is large in ethnically heterogeneous countries but virtually non-existent in homogeneous societies.

Keywords: economic crises, delayed recovery, political economy

JEL Classification: E61, O11, O43, J15, H12

Immigration, Attitudes and the Rise of the Political Right: The Role of Cultural and Economic Concerns over Immigration

LEWIS S. DAVIS / **SUMIT S. DEOLE**

Union College Schenectady NY / University of Halle-Wittenberg

With the rise of the far-right parties in the European parliamentary elections, concerns over immigration and national identity have again come into the limelight. In this paper, we document the empirical relationships between immigration, native concerns over the economic and cultural impact of immigration, and the rise of rightwing political parties in Europe. Empirical analysis first establishes the critical and distinct roles played by economic and cultural concerns over immigration in determining citizen's rightward ideology and voting for right-wing parties. Second, we investigate the determinants of economic and cultural concerns over immigration, finding strong and consistent evidence for the salience hypothesis, which suggests that immigrant share of a country's population shapes citizen concerns over immigration. Thereafter, we document the roles of macro-level economic and cultural channels in determining the strength of salience effects. Finally, we investigate how the characteristics of the immigrant population affect native concerns over immigration.

Keywords: group threat hypothesis, attitudes toward immigrants, cultural threat, public opinion, immigration policy, and right-wing politics

JEL Classification: D72, F22, Z13

Friday, 27 November 2015, 13.00 – 14.30, Room 1.7

Transparency in Parliamentary Voting

CHRISTINE BENESCH / MONIKA BÜTLER / **KATHARINA E. HOFER**

University of St.Gallen / University of St.Gallen / University of St.Gallen

We exploit a change in voting procedures in one of the two chambers of the Swiss parliament to explore how transparency affects the votes of Members of Parliament (MPs). Until 2013, the Council of States (Ständerat) decided by hand rising. While publicly observable at the time of the vote, MPs' decisions could only be verified through time-consuming screening of online videos ex post. In 2014 - in the middle of the legislation period - the chamber switched to electronic voting. As MPs' decisions are available online, transparency and observability of legislative voting increased. Our analysis is based on individual voting behavior from all final passage votes in the 2011-2015 legislation period. In a difference-in-difference framework the larger chamber, the National Council (Nationalrat), serves as control group. Voting procedures in the latter have not changed since 2007, and the legislative text is identical in both chambers. The unique framework allows estimating causal effects of voting procedures on MPs' choices. After the reform, members of the Council of States are significantly less likely to deviate from their party line. The effect is robust to accounting for various robustness checks, anticipation and election-cycle effects, individual as well as bill-related characteristics. Our results are in line with increased observability of MP votes and higher conformity pressure from parties. Easier monitoring enables parties to enforce discipline among their members.

Keywords: voting, members of parliament, transparency

JEL classification: D72, D80, L88

Let the Voters Pick Women

AUDINGA BALTRUNAITE / ALESSANDRA CASARICO / PAOLA PROFETA / **GIULIA SAVIO**

IIES, Stockholm University / Bocconi University, CESifo / Bocconi University, CESifo / University of Lugano

We evaluate the impact on female political empowerment of a recent Italian law, which prescribes both gender quotas in candidates' lists and double preference voting conditioned on gender and applies to elections in municipalities with more than 5000 inhabitants. Using a Regression Discontinuity Design we estimate the effect of the law on the share of elected female politicians to be 22%. We also investigate the effect of gender quotas on female candidate supply and find no significant discontinuity around the threshold. This suggests a salient role of double preference voting in promoting female empowerment in politics.

Keywords: gender quotas, municipal elections, regression discontinuity design

JEL classification: D72, J45

Friday, 27 November 2015, 14.45 – 16.15, Room 1.5

Do Businessmen Make Good Governors?

FLORIAN NEUMEIER

Philipps-University Marburg

This paper empirically evaluates the economic performance of U.S. state governors who came to the position from a business background (CEO governors), focusing on the growth rate of real personal income per capita, unemployment rate, and income inequality. Methodologically, we apply a matching method to account for the endogeneity of political selection. Using entropy balancing, we identify credible counterfactuals for CEO governors, that is, governors without a business background who took office under similar economic and fiscal situations. We find, first, that businesspeople tend to take office in times of economic and fiscal strain. Second, the tenures of CEO governors are associated with a 0.6 percentage points higher annual income growth rate and a 0.6 percentage point s lower unemployment rate than are the tenures of non-CEO governors. Also, state-level income inequality decreases when CEO governors hold office, indicating that low-income households benefit from the economic upswing. Third, the positive effect of having a CEO governor increases with time in office. Fourth, Republican CEO governors perform slightly better than their Democratic colleagues.

Keywords: U.S. Governors, U.S. politics, U.S. states, economic growth, unemployment, income inequality, businessmen, CEO, entropy balancing

JEL classification: C21, E24, E60, O47

Law Enforcement, Municipal Budget and Spillover Effects: Evidence from a Quasi-Experiment in Italy

SERGIO GALLETTA

University of Lugano

This paper provides new evidence on the effect of elections on monetary aggregates (M1). We argue that the effect operates through vote buying rather than through political business cycles engineered by politicians via their influence on central banks. Systemic vote buying requires significant amounts of money to be disbursed right before elections. We use this finely timed increase in the demand for liquidity to establish a link between vote buying and high frequency fluctuations in M1 in a sample of 85 non-OECD countries for which monthly data on M1 is available. We find robust evidence of an election month spike in M1 of about a tenth of a standard deviation. A similar effect cannot be detected in the OECD countries. We systematically evaluate and rule out alternative explanations for this pattern.

Keywords: horizontal interaction, Italy, mafia, corruption

JEL classification:

Friday, 27 November 2015, 14.45 – 16.15, Room 1.7

Regulating the Revolving Door: A New Indicator of Conflicts of Interests -the RDI

ELISE S. BREZIS / JOËL CARIOLLE

Bar-Ilan University / FERDI

The “revolving door” has been pinpointed as being one major cause of the 2008 financial crisis. This phenomenon, common in most industrialized countries, leads to conflicts of interest that may seriously harm economies. The purpose of this paper is to present an indicator of the distortionary effects of the revolving door – The Revolving Door Indicator (RDI) based on a small model. The model is based on the interconnection between the business, political and bureaucratic elites.

The RDI intends to proxy the economic distortions induced by influential firms engaged in the revolving door, by measuring the concentration of revolving door movements among private firms at the sector level. We document revolving door movements among main financial firms. This RDI can permit to regulate the revolving door of the financial institutions, in order to reduce conflicts of interests leading to crisis.

Keywords: financial crisis, revolving door, corruption, rent-seeking, conflict of interest, regulations, distortions

JEL classification: D7, K2, K4, L1, L2, L5

Democracy and Growth: Evidence from SVM DI indices

KLAUS GRÜNDLER / TOMMY KRIEGER

University of Würzburg / University of Konstanz

Evidence from a novel measure of democracy (SVM DI) based on Support Vector Machines highlights a robust positive relationship between democracy and economic growth. We argue that the ambiguity in recent studies can be traced back to the neglect of the information in the equation in levels and the lack of sufficient sensitivity of traditional democracy indicators. We further analyze the transmission channels through which democracy exerts its influence on growth, concluding that democratic countries have better educated populations, higher investment shares, lower fertility rates, but not necessarily higher levels of redistribution. The latter explains why we find only little indication of a nonlinear effect of democracy on growth.

Keywords: democracy, economic growth, Support Vector Machines

JEL classification: O11, O47, P16, H11, C43

Friday, 27 November 2015, 16.30 – 18.00, Room 1.5

Optimal Territorial Design and Decentralization

JEAN-MARC BOURGEON / **MARIE-LAURE BREUILLÉ**

INRA, Ecole Polytechnique / INRA

We consider a multi-tier government in charge of providing a bundle of public goods to a large and diverse population. Public goods differ in both their provision cost and their access cost for the citizens. We characterize the optimal territorial organization, i.e. the number of tiers and jurisdictions per tier, their administration capacity and the range of public goods provided at each tier. The shape of the territorial organization depends on the valuation of the administrations' capacity and of the public goods, and on the provision costs and access costs. Low valuation parameters in comparison to the cost parameters lead a country to adopt a territorial organization with a tall pyramid shape, i.e., a large number of tiers composed of few jurisdictions with limited competences. By contrast, if valuations are high relative to costs, the territorial pyramid is small and jurisdictions provide a wide range of public goods. In any case, going down the territorial pyramid, the jurisdictions' range of competencies increases but their administration capacity decreases. We then investigate the impact of decentralized decision-making. Even though sub-national governments have an incentive to carry out some competencies assigned to other tiers, the social planner can implement the tiers' first-best scopes without altering the first-best territorial pyramid. However, we show that the optimal territorial organization under decentralization entails a lower number of tiers, with more jurisdictions per tier and larger ranges of competences, if the valuation of the administration capacity is sufficiently low.

Keywords: decentralization, fiscal federalism, territorial organization

JEL classification: H11, H77

Fiscal Competition and Government Debt

ECKHARD JANEBA / **MAXIMILIAN TODTENHAUPT**

University of Mannheim, CESifo, ZEW / University of Mannheim, ZEW

The existing theoretical literature on fiscal competition has to a large extent ignored the role of government debt as determinant of taxes and productive public spending. We develop a simple model of fiscal competition with government borrowing. When default on government debt is ruled out, initial debt levels play no role in fiscal competition. This neutrality result is overturned when we allow for government default. A government that is constrained in its borrowing due to possible default responds optimally by lowering spending on durable public infrastructure. This in turn induces this jurisdiction to be more aggressive in setting taxes in the fiscal competition game. The link between legacy debt and fiscal competition is reinforced when exogenous firm mobility rises. Our model may help explain the observation that highly indebted countries in Europe have decreased corporate tax rates over-proportionally. Our model may also be useful for evaluating decentralization reforms in which the power to tax firms is devolved to lower levels of governments which differ in initial debt levels.

Keywords: asymmetric tax competition, business tax, sovereign debt, international tax competition

JEL classification: H25, H63, H73, H87

Friday, 27 November 2015, 16.30 – 18.00, Room 1.7

Political Cycles in Public Natural Disaster Support: A Cross-Country Analysis

JEROEN KLOMP

Wageningen University

Keywords:

JEL classification:

Electoral Cycles in Fiscal Policy Composition: Evidence for Opportunism in Established Democracies

ATSUYOSHI MOROZUMI / FRANCISCO JOSÉ VEIGA / LINDA GONCALVES VEIGA

University of Nottingham / Universidade do Minho / Universidade do Minho

This paper examines how elections affect fiscal policy compositions in established democracies. Using a unique disaggregated spending and revenue dataset at the central government level for the 1975-2010 period, we offer the following three results. First, before elections, central governments in such democracies reallocate spending, specifically from capital spending to grants to other government units, and also reallocate taxes, by reducing income taxes and raising consumption taxes instead. Second, in case a government manages to stay in the office after an election, it immediately reverses pre-electoral policies, particularly by raising income taxes. Third, these opportunistic behaviors are particularly prominent under proportional electoral rules, rendering elections a source of macroeconomic volatility in established proportional democracies.

Keywords: fiscal policy composition, central government, established democracies, political opportunism, electoral rules

JEL Classification:

Saturday, 28 November 2015, 09.30 – 10.15, Room 1.5

Do Individuals Put Effort into Lying? Evidence from a Compliance Experiment

NADJA DWENGER / **TIM LOHSE**

MPI Munich / Berlin School of Economics and Law, MPI Munich

We study whether individuals in a face-to-face situation can successfully exert some lying effort to delude others. We exploit data from a laboratory experiment in which participants were asked to assess videotaped statements as being rather truthful or untruthful. The statements are face-to-face tax declarations which were recorded in an incentivised tax compliance experiment. The video clips to be assessed feature each subject twice making the same declaration. But one time the subject is reporting truthfully, the other time willingly untruthfully. This allows us to investigate within-subject differences in trustworthiness. Drawing on more than 18,000 assessments, we find that a subject is perceived as more trustworthy if she deceives than if she reports truthfully. This is evidence of individuals successfully exerting lying effort.

Keywords: deception effort, compliance, lie detection

JEL classification: C91, H31, K42, H26

Saturday, 28 November 2015, 09.30 – 10.15, Room 1.7

Aid in Conflict: How does Aid Affect Civil Conflict Dynamics?

RICHARD BLUHM / **MARTIN GASSEBNER** / SARAH LANGLOTZ / PAUL SCHAUDT

University of Hannover / University of Hannover / University of Heidelberg / University of Hannover

Keywords:

JEL Classification:

Saturday, 28 November 2015, 10.30 – 12.00, Room 1.5

Lame but Loyal Ducks

MARIANA LOPES DA FONSECA

University of Göttingen

This paper analyzes the consequences of an electoral reform introducing mayoral term limits at the municipal level in Portugal. Relying on a difference-in-difference methodology and a novel method that accounts for anticipatory effects of reforms, this study explores variation between and within municipalities to capture the economic and political consequences of limiting the number of consecutive mayoral terms. In contrast to the usual lame duck effect in the literature, I find that term limited mayors decrease current expenditure and reduce both user charges and tax rates. Lame ducks send positive fiscal signals possibly in an attempt to maximize the electoral perspectives and re-election probability of their party in the coming elections. Still, political turnover significantly increases as a result of the electoral reform.

Keywords: reform, politics, incentives

JEL classification: D72, H00, H72

Power and Rents – Political Influence on Rent Extraction. Quasi-experimental Evidence for Bavaria

LUKAS SCHÖTZ

University of Passau

The pursuit of political representatives to individual rents is recognized as one of the major shortcomings of political systems. While rents of legal and illegal kind are distributed by political decisions, research has focused primarily with the illegal rent-seeking of politicians. This article examines the extent to which elected Bavarian Mayors are provided with legal political rents. Whether strong political competition limits the rent allocation in the political system, may be examined in so far as an independent electoral council determines the remuneration of the mayor in Bavarian municipalities. By means of the quasi-experimental regression discontinuity approach it is shown that political competition and party considerations exercise a significant impact on the allocation of legal rents to local leaders. However, this effect does not occur if politicians were already considered with high rents before the election.

Keywords: political rents, local affairs, regression discontinuity design

JEL classification:

Saturday, 28 November 2015, 10.30 – 12.00, Room 1.7

Between Hitler and Haider: Long-term Impacts of Post-WWII Occupation on Right-wing Populism in Austria

CHRISTIAN OCHSNER / FELIX RÖSEL

ifo Dresden / ifo Dresden

This paper shows how an exogenous shock re-shape political landscapes and evolve over time. We identify long-lasting effects of the surprising post-WWII division of the Austrian province of Upper Austria along the Danube River into a US and a Soviet occupation zone on right-wing populist affiliation. Using a spatial RDD approach, we exploit regional differences in voting shares of the Austrian Freedom Party (FPÖ) which gave former Nazis a new political home after WWII. In contrast to a non-finding for pre-WWII right-wing votes, the former zone border line gives a sharp and significant disruption in FPÖ voting shares for post-WWII national elections until now. We present two different channels how the division of Upper Austria impacts the spatial distribution of right-wing affiliation after WWII. First, the Nazi influx into the US occupation zone leads to a higher density of local FPÖ branches which is still visible today. Second, we compare present-day surnames of local party fellows with phonebook data of 1942. In 2015, we find that party fellows of the FPÖ in the former US occupation zone have a significant higher share of surnames originated from the former Soviet occupation zone than other parties. This highlights the importance of intergenerational transmission of right-wing attitudes. Our results are robust for different RDD specifications and for idiosyncratic regional shocks such as WWII-refugees or bombings. However, we show the border effect is steadily dropping from over 50 % in 1949 to about 25 % of the state average FPÖ voting share in 2013 which is quite substantial even today.

Keywords: political economy, intergenerational transmission, Austria

JEL classification: J15, D72, N44, N94

Institutional Transplant and Cultural Proximity: Evidence from Nineteenth-Century Prussia

GIAMPAOLO LECCE / LAURA OGLIARI

Bocconi University / Bocconi University

The effectiveness of institutional transplant is likely to depend on the underlying cultural environment of the receiving country. This paper provides the first evidence that the positive effect of importing good institutions is attenuated when the receiving territories are characterized by cultural traits in conflict with those embedded in the imported institutions. We test this assumption using county-level data from late nineteenth-century Prussia. This allows us to exploit both the quasi-natural experiment generated by the radical Napoleonic institutional reforms and the deeply rooted cultural heterogeneity across Prussian counties. First, using religious affiliation as a proxy of cultural commonality, we find that the impact of the exported institutions is halved in Protestant areas. Then, using hand-collected data on pre-Napoleonic reigns we show that kingdoms with stronger ties to French culture exhibit a more effective transplant even when controlling for institutional proximity. Our findings are consistent with the hypothesis that cultural compatibility between the country exporting the institution and the receiving areas is a significant determinant of a successful transplant.

Keywords:

JEL classification:

Saturday, 28 November 2015, 14.00 – 14.45, Room 1.5

The Causal Effects of Regional Policy in Germany – Evaluating the Joint Task for ‘Improving Regional Economic Structures’ using a Regression Discontinuity Design

EVA DETTMANN / MATTHIAS BRACHERT / **MIRKO TITZE**

Halle Institute for Economic Research / Halle Institute for Economic Research / Halle Institute for Economic Research

Regional industrial policies in Europe are designed to foster the development of lagging regions. The main instrument in this context for Germany is the joint Federal Government/Laender scheme for ‘Improving regional economic structures’ (GRW). The aim of the paper is to assess the regional effects of the GRW by the help of a fuzzy regression-discontinuity-design. We analyze the growth of different outcomes to capture different aims of GRW: the regional employment, the total wage sum and the gross value added (as proxies for individual and regional income), as well as the gross value added per employee (as a proxy for productivity). Due to still existing structural differences between East and West Germany, this analysis is focused on West German regions. To perform the analysis we match data from different sources for the period from 2007 to 2012. Our results show that GRW has a positive influence on the employment and wage growth, but a negative effect on the development of productivity in the analyzed West German regions. We observe no effect on regional income.

Keywords: evaluation, industrial policy, regression discontinuity design

JEL classification: Z0, A11, D61, H20

Saturday, 28 November 2015, 14.00 – 14.45, Room 1.7

Political Leaders and Foreign Policy Proximity: Do Dyadic Administration Changes Affect Voting Alignment in the United Nations General Assembly?

TOBIAS ROMMEL / **PAUL SCHAUDT**

University of Zurich / University of Hannover

We study the effect of dyadic administration changes on structural breaks in voting alignments between the permanent members of the United Nations Security Council plus Germany (P5+1) and other countries in the United Nations General Assembly (UNGA). We find that dyadic leadership changes have a significant impact on foreign policy alignment measured as the absolute distance of UNGA ideal point positions. Disaggregating our results by different P5+1 countries, time periods and region, while employing restrictive dyadic administration fixed effects and year fixed effects, we find that administration changes are an amplifier for foreign policy alignment. However, our results show that the effect can also contradict general alignment tendencies between states and differs according to which country brings about the dyadic change. To this effect, our results suggest employing dyadic administration changes as natural breaking points of foreign policy alignment, which should be controlled for, even when using UNGA alignment only as a proxy for political friendship.

Keywords:

JEL Classification:

List of Participants

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Table of Addresses

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How to reach ifo:

By air: From Airport Dresden-International, take the train (S-Bahn) to Dresden Hauptbahnhof (Central Railway Station). Continue with local public transportation (see below).

By rail: Exit the train at Dresden Hauptbahnhof (Central Railway Station) and continue with local public transportation (see below).

By car: Leave the Autobahn (A17) at the exit "Dresden Südvorstadt" and follow the signs for "Zentrum", "Hauptbahnhof" or "Universität". After ca 3.5 km turn right into Reichenbachstrasse at the traffic light (directly at the Orthodox Church). At the second junction, turn right into Andreas-Schubert-Straße and drive up the hill towards Lukas Church. Driving around the church on the right-hand side, you reach Einsteinstraße. The institute is on your left, number 3.

Local transportation: Take the number 3 tram (direction Coschütz) or tram number 8 from the Central Railway Station one stop south to Reichenbachstrasse. Get off the tram, walk towards the traffic light and turn left into Reichenbachstrasse. At the second junction, bear right into Andreas-Schubert-Strasse and walk up the hill towards Lukas Church. Walking around the church on the right-hand side, you reach Einsteinstrasse and the Institute (ca. ten-minute walk).



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