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1. Editorial

The year 2014 was once again pleasing for the institute, first of all because we welcomed Professor Dr. ROLAND HODLER as our new director and full professor for political economics on 1 April 2014. His research interests in political and development economics are an ideal fit for our institute, expanding our competency in the field of international economic policy. We have already held two SIAW Circles on sustainability and risks in the raw materials sector and the economic prospects in Russia, closely matching the interests of ROLAND HODLER. Together we had the pleasure of experiencing his interesting inaugural lecture on the topic of “Economics from Space” and the question of why certain regions are favoured by politics. We are looking forward to working with him and his associates in the years to come.

Rather than joining our ranks for the first time, a prominent individual has returned to us in the person of Professor Dr. GEBHARD KIRCHGÄSSNER. After his stay at the Wissenschaftskolleg in Berlin, he has returned to our institute as a guest since the summer of 2014. We are pleased to regularly enjoy his company again. The second assistant professor position has not yet been filled. It has been vacant since Professor Dr. MARK SCHELKER was called to the University of Fribourg. After initial discussions with some potential candidates however, we are confident that we will welcome a new assistant professor to the institute again soon.

Naturally our institute was active on a broad front in teaching and research last year. On the pages which follow, the individual groups provide detailed reports about the various projects. The excellence award presented by KfW Entwicklungsbank to Prof. ROLAND HODLER deserves special mention. He received it for his work Illuminated Leaders which was also part of his inaugural lecture. What is more, RETO FÖLLMI co-organised the Sinergia-CEPR workshop in Ascona and received a new grant from the SNF, which among other things finances two graduate positions over three years. Next to our primary tasks, we focused on the economic policy activities of the SIAW. The SIAW Circle roundtable on current economic policy matters launched last year together with Dr. RENÉ BUHOLZER, President of the Development Fund, has established itself well. Networking with practitioners is highly valuable for the institute, especially in view of the current turbulent economic policy developments.

Last year was also dedicated to the re-conception of our journal Aussenwirtschaft on foreign trade. Each new edition focuses on a different theme and we hold a related workshop with discussants as well. Free submissions also continue to be possible of course. In October 2014, we successfully held the first workshop in St. Gallen on the topic of “The Role of Multinational Companies in Switzerland”. The next workshop in July of 2015, which will be held at Schweizerische Nationalbank (SNB) in Zurich, is dedicated to the topic of “Safe Haven” and the resulting economic consequences of the strong Swiss franc.

In conclusion, we would once again like to thank the supporters and employees of our institute. As the authority responsible for higher education, the Canton of St Gallen allows us the required autonomy to structure our research and consulting activities, even in these ongoing financially demanding times.
We would like to thank the members of the Executive Board as well as the members of the institute’s Association of Sponsoring Institutions which give us financial support as well as allowing us to contact them for valuable suggestions and advice. A research institute depends mainly on the ideas and scientific curiosity of its employees.

St. Gallen, 24 February 2015

Prof. Dr Simon Evenett       Prof. Dr Reto Föllmi       Prof. Dr Roland Hodler
1.  Staff

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3. Research Activities

3.1 Chair Prof. Dr. SIMON J. EVENETT

Researchers:

FREDERIC BÄRTL (until 31st July)
MORGAN BOEFFARD
PIOTR LUKASZUK (since 01st July)
IVA MIHAYLOVA
WESLEY VAN DRONGELEN

from left to right:
Johannes Fritz, PhD, Iva Mihaylova, Professor Dr. Simon Evenett, Piotr Lukaszuk, Michèle Klarer
The year 2014 began with extensive dissemination of the electronic book that Professor Simon Evenett co-edited with Alejandro Jara, former Deputy-Director General of the World Trade Organization (WTO), on the future work programme of the WTO after the much-heralded WTO Ministerial summit in December 2013. That edited volume contained contributions from leading international trade economists, lawyers, and other policy analysts. Each contributor proposed tangible steps that the WTO could take over the next two and four years to build on the success of the so-called “Bali Ministerial.” The webpages associated with this book have since been viewed over 20,000 times.

In addition to following developments at the WTO during 2014, which it turned out proved to be a far more difficult year than expected, Simon Evenett and his team continued to document and disseminate information on the many ways in which governments tilt the playing field against foreign commercial interests. Further efforts were made to improve the quantity and quality of policy measures reported in the Global Trade Alert database, which was enhanced once Dr. Johannes Fritz began day-to-day management of the team of assistants working on this initiative.

Two reports were published on protectionism during 2014, the latest being made available in November 2014. As a result of the extensive data collection effort by the team, three phases of protectionism can be identified since the onset of the global economic crisis in 2008. The latest phase, associated with the global economic growth slowdown that set in from 2012 on, has seen quarterly protectionist totals progressively rise towards levels seen in Q1 2009, when senior government leaders openly worried about the openness of the global economy. This empirical finding has been confirmed in Professor Evenett’s presentations and discussions with corporate decisionmakers, although the latter often refer to these matters as part of the more general phenomenon of corporate political risk.

The SIAW’s work on protectionism came to the notice of the European Bank for Reconstruction and Development (EBRD) in 2014. The Office of the Chief Economist of the EBRD, whose Board must decide on whether to invest in projects in sectors in the Eastern European and the CIS regions that may benefit from discrimination against foreign competitors, asked Simon Evenett to review their investment guidelines in the light of contemporary developments and the experience of other development banks. This resulted in an informal presentation to the EBRD Board and a follow-on assignment to assist EBRD in the potential redrafting of these Guidelines. In the latter assignment, Simon Evenett collaborated with Johannes Fritz.

Global Trade Alert data formed the primary source of data for a series of papers on industrial policy interventions that were commissioned and reviewed by Simon Evenett and his longstanding collaborator at UC Berkeley, Professor Vinod Aggarwal. These papers, covering many of the leading sectors of the world economy, have now been published in an academic journal. Substantively, these papers demonstrate, amongst others, that WTO rules, the so-called disciplines of regional trade agreements, and free market instincts of many have not prevented a revival of interest in policies that favour particular sectors or firms.

The year 2014 saw some turnover in the team of assistants supporting the research work of Simon Evenett. Frederik Bartl left the SIAW on 31.07.14, returning to Germany after successfully completing his master degree. Wesley Van Drongelen also left the team at the end of the calendar year. The appointment of Piotr Lukaszuk strengthened the team from 01.07.14 onwards. Iva Mihaylova and Morgan Boeffard continue to make valued contributions to the team.

In addition to his responsibilities at the SIAW, Simon Evenett continued to be the Academic Director of the HSG’s MBA programme, a role that takes up a considerable proportion of his time. In addition, his teaching has expanded into the new English-speaking IEMBA programme at HSG. Moreover, Professor S. Evenett continues to contribute to HSG’s Executive School, both as a Director and as a contributor to a number of its programmes for corporate executives.
3.2 Chair Prof. Dr. RETO FÖLLMI

Researchers:

IRENE FENSORE
ADRIAN JÄGGI (since 01st September)
STEFAN LEGGE
ISABEL MARTINEZ
DR. LUKAS SCHMID
FABIAN SCHNELL
ALEXA TIEMANN

from left to right:
Professor Dr. Reto Föllmi, Adrian Jäggi, Irene Fensore, Dr. Lukas Schmid, Michèle Klarer
The Team

Prof. Dr. RETO FÖLLMI, who has been Professor of International Economics at our Institute since February 2011, co-chairs the International Economics Section together with Prof. Dr. SIMON J. EVENETT. From September 2007 to January 2011, he was teaching as Professor of Macroeconomics at the University of Berne. He is member of the PhD in Economics and Finance programme commission at the University of St. Gallen. The core areas of his research are questions of economic growth, foreign trade and distribution.

IRENE FENSORE joined our team in September 2013. During her Bachelor, she studied at Bocconi University in Milan and at Chulalongkorn University in Bangkok, Thailand. After obtaining a Master’s in Quantitative Economics and Finance at the University of St. Gallen, she joined the PhD programme in Economics and Finance (PEF). Her research interests include international economics and trade, as well as income inequality.

ADRIAN JÄGGI has been working at our institute since August 2014. He obtained his Master’s in Quantitative Economics and Finance (MiQE/F) at the University of St. Gallen. Furthermore, he gained experience at universities abroad at the University of Manchester as well as at the Korean Institute of Science and Technology (KAIST) in Seoul. After completing an internship at the Swiss National Bank (SNB), he enrolled in the PhD Programme in Economics and Finance (PEF). He is currently completing the course phase.

STEFAN LEGGE joined our team in September 2011. He studied at the Universities of St. Gallen and Mannheim as well as at the University of California in San Diego. After obtaining a Master’s in economics in 2011, he joined the PhD programme in Economics and Finance (PEF). Currently, he is a visiting scholar at the University of California at Berkeley. In his dissertation, he deals with the impact of trade liberalisation in Latin America, the effects of rankings, behavioural biases in tournaments, and the implications of population aging.

ISABEL MARTÍNEZ joined our team in January 2012 as a research assistant. She studied Economics and Political Science at the University of Berne and the Free University Berlin and obtained her Master’s in Economics in the autumn of 2011. Since 2012, she has been enrolled with the Doctoral Programme for International Affairs and Political Economy (DIA). After completing the course phase in 2013, she successfully handed in her research proposal in January 2014 and completed the subsequent dissertation seminars. In her dissertation, she deals with the evolution of the income distribution in Switzerland, and addresses the effects of tax changes on individual behaviour as well as the effectivity of the Swiss health care premium subsidy programmes.

DR. LUKAS SCHMID has been a member of our team since February 2011. He studied Political Science and Economics at the Universities of Berne and Lausanne, graduating in 2008 with a licentiate. After having participated in the Swiss Programme for Beginning Doctoral Students in Economics at the Gerzensee Study Centre, he completed his PhD at the University of Berne in 2012. He has been a visiting researcher at the Methodology Department at the London School of Economics in 2012/2013. His dissertation dealt with political economics, inequality and education. Since 2013, he works as a Post-doc at our Institute.

FABIAN SCHNELL was in our team from January 2012 to December 2014. He studied at the University of St. Gallen, at the London School of Economics (United Kingdom) and at the University of Gothenburg (Sweden), obtaining a Master’s in Economics (M Econ) in 2009. He then commenced a PhD in Economics and Finance (PEF) and completed the Swiss Programme for Beginning Doctoral Students in Economics at the Gerzensee Study Centre of the Swiss National Bank. FABIAN SCHNELL successfully defended his dissertation, titled “Heterogeneity in Macroeconomics and its Implications for Monetary
Policy”, in November 2014. He works now as a Project Manager in economics policy with economiesuisse.

**Ongoing research projects**

**Trade, R&D, and international price differences**
RETO FÖLLMI, RUEDI MINSCH (economiesuisse) and FABIAN SCHNELL have kept working on the project “What determines price changes and the distribution of prices? Evidence from the Swiss CPI.” The paper examines how firms set and adjust their prices depending on macroeconomic, sectoral and individual conditions. A large dataset panel of quarterly firm and product price data, which underlie the sectoral CPIs, from 1993 to 2012 is used for this purpose. The data allow detailed traceability of the pricing decisions over time. Among several macroeconomic factors, an appreciation of the Swiss franc leads to an increase in the probability of positive price change as well as in the size of this price change. Singling out one policy measure, they found that an increase of the VAT is proportionally shifted to prices although the costs of the concerned producers do not increase to the same extent due to the deductibility of input cost. Finally, the dataset allows analysing the development of price dispersion at product level. The authors can show that an increase in the VAT leads to a decrease in the variance of prices whereas macroeconomic factors have no impact.

Because of a revision work for a scientific journal we continued our work on “International arbitrage and the extensive margin of trade between rich and poor countries”. RETO FÖLLMI together with CHRISTIAN HEPENSTRICK (Swiss National Bank, SNB) and JOSEF ZWEIMÜLLER (University of Zurich) introduce consumption indivisibilities into the Krugman model to show that an importer’s per capita income becomes a primary determinant of ‘export zeros’. Households in the rich North (in the poor South) are willing to pay high (low) prices for consumer goods. Hence, unconstrained monopoly pricing generates arbitrage opportunities for internationally traded products. Export zeros arise because some northern firms abstain from exporting to the South so as to avoid international arbitrage. We show that rich countries benefit more from trade liberalisation than poor countries, and that the latter may even lose. These results hold also under more general preferences which feature an intensive and extensive consumption margin. U.S. firm-level data as well as disaggregate trade data show a robust negative association between export zeros and (potential) importers’ per capita income.

**Innovations, international product cycles and economic growth (continued)**
We continued the project “A Dynamic North-South Model of Demand-Induced Product Cycles.” RETO FÖLLMI together with ANDREAS KOHLER and SANDRA HANSLIN (University of Zurich) consider the impact of the entry of emerging economies on growth and innovations in the industrialised countries. Innovation takes place in the rich North while firms in the poor South at random imitate products manufactured in the North. The model is able to generate endogenous product cycles as described by Vernon (1966) where the different stages of the product cycle are not only determined by supply side factors but also by the distribution of income between North and South. We further provide suggestive evidence for the product cycle stages. We show that the innovation-imitation process depends crucially on within and across countries income inequality.

**Productivity, international trade, and distribution**
The project “Trade Liberalization and Credit Constraints: Reallocations at the Firm Level” by RETO FÖLLMI, STEFAN LEGGE, and ALEXA TIEMANN studies how firms respond to trade liberalisations in emerging economies. Following the idea of heterogeneous firms, we examine whether imperfect capital markets can prevent welfare gains from trade liberalisation to materialising. In our theoretical
model, entrepreneurs differ in their wealth endowment causing them to rely differently on external funds. In a setting with an imperfect capital market, we show that poor entrepreneurs running smaller firms are less likely to invest in product change and more likely to exit the market. Decreasing trade costs resulting from tariff reductions exacerbate these characteristics. Using firm-level panel data on seven Latin American countries for 2006 and 2010, we show that the basic theoretical predictions match with observed firm characteristics. In addition, we present novel empirical evidence showing that in the sample of surviving enterprises, financially constrained firms are less likely to change their main product, especially if they rely heavily on external funds. This finding adds another dimension to the literature on how financial constraints distort reallocations within firms and thus can limit gains from trade.

Furthermore, we continued working on “Globalization and Productivity in the Developing World”. RETO FÖLLMI and MANUEL OECHSLIN (University Lucerne) study the impact of international trade on technology choice by firms if capital markets are imperfect.

We used the knowledge gained in growth and trade in order to consult the Federal Council in a special committee. Its aim is to analyse whether the bilateral treaties with the European Union could be substituted with an encompassing free-trade agreement.

Political Economy, Distribution and Economics of Education
RETO FÖLLMI and ISABEL MARTÍNEZ study the recent evolution of top incomes in Switzerland. Their analysis closes the gap in inequality data from 1995 to 2002 by exploiting the fact that Cantons changed their tax system at different points in time which allows using the non-changing Cantons as a control group. The results show that the share of top incomes has risen, the top 0.01% share even doubled in the last 20 years. However, top incomes exhibited large variation in the business cycle. The analysis of social security data suggests that labour incomes have become more important among top income earners. STEFAN LEGGE and LUKAS SCHMID examine the effects of rankings on individual performance using data on World Cup alpine skiers. The results suggest substantial short-run effects of podium finishes on performance, especially for racers in the middle of the skill distribution. However, the effects are short-lived and mostly driven by individuals who miss prestigious ranks by a tiny margin. This finding highlights a potential drawback of rankings which has been neglected in previous research.

Led by RETO FÖLLMI and LUKAS SCHMID and joined by DOMINIK HANGARTNER (London School of Economics) and MICHAEL BECHTEL (University of St Gallen), the project “Compulsory Voting” examines the consequences of mandatory voting in the Cantons of Switzerland. Our results indicate that compulsory voting mobilises left-wing voters more than right-wing voters. However, this is only true for the period of intervention. After the abolishment of compulsory voting, there remains no long-term mobilisation effect on left-wing voters. The project “Effects of Education” is a joint project with STEFAN BOES (University of Lucerne) and DOMINIK HANGARTNER and examines the impact of education on a person’s success in the labour market and risk and timing preferences by using cantonal entry exams to track pupils before entering secondary school. These exams are designed to assign each student to the secondary level which suits his or her academic performance. Our project uses the critical threshold value as a natural experiment to investigate how students slightly below and above this threshold differ with regard to the outcomes of interest. The analysis sheds light on the causal effects of education. The goal of the project is, on the one hand, to make a crucial contribution to the identification of educational effects and, on the other hand, to deliver evidence on the impacts of the Swiss education system.
Recalls and unemployment insurance

In a study commissioned by the Swiss State Secretariat for Economic Affairs (SECO), RETO FÖLLMI, TANJA ZEHNDER (HTW Chur) and JOSEF ZWEIMÜLLER (University of Zurich) analysed the size and the economic impact of recalls. About 14% of all unemployment spells originate because the same employer fires and hires a same person later on. Unemployment insurance furthers such instable employment relationships as an undesired side-effect. If the contribution rates were risk-adjusted, the incentives to create unstable employment relationships would be lower.
3.3 Chair Prof. Dr. ROLAND HODLER (since 01st February)

Researchers:

ANNA BRUEDERLE (since 01st April)
FRIEDHELM HENTSCHEL (since 01st April)

from left to right:
Gabriela Schmid, Professor Dr. Roland Hodler, Anna Bruederle, Friedhelm Hentschel
Prof. Dr. Roland Hodler and his research and teaching assistants Mirjam Anna Brüderle and Friedhelm Hentschel joined the University of St.Gallen and the SIAW in spring 2014. The research interests at the chair are in development economics and political economics, as well as conflict theory and public economics. Roland Hodler presented his research at various academic conferences and research seminars. Four articles of Roland Hodler were published in international peer-reviewed journals in 2014, including one in the prestigious Quarterly Journal of Economics. Moreover, the Australian Research Council and the Basic Research Fund of the University of St.Gallen both approved grant applications by Roland Hodler; and the KfW Development Bank awarded Roland Hodler the Prize for Excellence in Policy-Relevant Development Research.

Team

Prof. Dr. Roland Hodler has been Professor of Public Economics at the University of St.Gallen since February 2014, and Director of SIAW since April 2014. He is also External Research Associate at the Oxford Centre for Analysis of Resource Rich Economies, and CESifo Research Network Fellow. After receiving his PhD from the University of Bern in 2004, he was first a post-doctoral research fellow at Harvard University, then Lecturer and Senior Lecturer at the University of Melbourne, and later Professor at the University of Lucerne. His research interests are in development economics, political economics, and public economics.

Anna Brüderle joined the SIAW as research and teaching assistant at the chair of Roland Hodler in April 2014. Before, she was working as assistant in his team at the University of Lucerne. She is enrolled in the PhD Program in Economics and Finance (PEF) and has taken courses under the Swiss Program for Beginning Doctoral Students in Economics at the Study Center Gerzensee. Her Diploma in Economics was attained from the University of Cologne in 2008. After graduation, Anna was working at the OECD Development Cooperation Directorate in Paris, and subsequently in various development cooperation projects at the field level in India and Africa. Her research interests are in development economics, notably social and economic development in rural contexts, development effects of access to energy, and natural resources.

Friedhelm Hentschel joined the SIAW as research and teaching assistant at the chair of Roland Hodler in February 2014. Before, he was working as assistant in his team at the University of Lucerne. He studied at the Karlstad University in Sweden and at the Albert-Ludwigs-University Freiburg i.Br. where he received a Master’s degree in economics. He is enrolled in the PhD program in International Affairs and Political Economy (DIA) and has taken a course under the Swiss Program for Beginning Doctoral Students in Economics at the Study Center Gerzensee. His research interests include political economics and conflict theory.

Ongoing research projects

Chinese Aid in Africa

Roland Hodler is working on a project on the allocation of Chinese development finance projects in Africa together with Axel Dreher and Andreas Fuchs from the University of Heidelberg, Bradley Parks and Michael Tierney from the College of William and Mary, and Paul Raschky from Monash University. The goal of this project is to improve our understanding of China’s role in Africa, and to test various allegations commonly made by western media and western development agencies. In a first time-consuming step, we have geocoded 1,955 Chinese development finance projects across 3,553
physical locations within Africa over the 2000-2012 period. We have made these data publically available. In a second step, we have analyzed our data. Our analysis reveals that regions receive substantially larger financial flows when being the birth region of the current political leader. This finding is consistent with the view that China sometimes (mis)uses development assistance to buy the support of the recipient countries’ political leaders. We further find that China tends to support rich regions in poor countries, but not primarily the most resource-rich regions. We have published these results in a first working paper.

**Ethnic favoritism around the globe**

ROLAND HODLER is working on a project on ethnic favoritism together with GIACOMO DE LUCA from the University of York, PAUL RASCHKY from Monash University, and MICHELLE VALSECCHI from the University of Gothenburg. The goal of this project is to investigate the prevalence and determinants of ethnic favoritism, i.e., preferential public policies targeted at the political leader’s ethnic group. We construct a panel dataset of 2,022 ethnographic regions from 139 countries with annual observations from 1992 to 2012, and use nighttime light intensity as output measure to capture the distributive effects of a wide range of policies. We find robust evidence for ethnic favoritism: the political leaders’ ethnographic regions enjoy on average 10% higher nighttime light intensity. We further find that ethnic favoritism is a global rather than just a Sub-Saharan African phenomenon, which is present in poor as well as rich countries; that political institutions only have a weak effect on ethnic favoritism; that ethnic favoritism is most prevalent in ethnically fractionalized and segregated countries with long established polities; and that ethnic favoritism does not contribute to sustainable development.

**The Local Impact of Oil in Nigeria**

ANNA BRÜDERLE and ROLAND HODLER are working on a project in which they study how local communities in the periphery of oil extraction sites in Nigeria are affected by oil price shocks. Positive effects of an oil price increase might result from fiscal redistribution of oil windfalls at the local level. On the other hand, an increase in the oil price might fuel rent-seeking, corruption and conflict, which could translate into negative effects on local development. The study uses geo-localized data from a comprehensive household survey on various health and education topics (the Demographic and Health Survey), which is carried out in Nigeria in intervals of approximately 5 years. The survey data are used to construct education, health and wealth measures for clusters of households corresponding to villages or urban blocks. A dataset of locations of oil fields and geographical software (GIS) are then used to identify those survey clusters that fall within administrative areas which host oil extraction, or within adjacent areas, or within circular buffer zones around oil fields. A differences-in-differences framework is applied to compare local development in oil and non-oil areas before and after the marked oil price surge between 2006 and 2008. Preliminary results show that the oil price shock tends to harm communities in oil-producing areas relative to other regions, which points to an “oil curse” at the local level in Nigeria. These negative effects do not seem to spill over to neighboring regions. The study contributes to the large empirical literature on the natural resource curse, which is so far largely confined to analyses at the country level.

**A Theory of Asymmetric Conflicts**

FRIEDHELM HENTSCHEL and ROLAND HODLER work on a game-theoretic project of asymmetric conflicts together with HADI YEKTAŞ from the Antalya International University. The previous literature has focused on symmetric conflicts between two groups or countries. But many conflicts are asymmetric, such as wars of conquest fought between attacking and defending countries, and wars of independence fought between central governments and secessionist groups. We present a model of such asymmetric conflicts and study equilibrium behavior, including the effects of changes in fighting and production technologies. We thereby explain why defending countries and secessionist groups tend to
fight more intensively than their opponents in such conflicts. Moreover, we compare symmetric and asymmetric conflicts. We find, among others, that fighting tends to be less intensive in asymmetric conflicts than in symmetric conflicts. In a related project, FRIEDHELM HENTSCHEL studies third country intervention in secessionist conflicts and annexations. His game-theoretic analysis predicts that a third country only intervenes in secessionist conflicts if the secessionist region has a low military technology compared to its central government.
3.4 Assistance Professor Dr. CHRISTINE BENESCH

Ongoing research project

Political Economy of Information and Media
CHRISTINE BENESCH’ s research agenda consisted of analyzing how changes in access to information fuelled by technological changes affect the behavior of voters and politicians. In one of the major projects of the past year, together with LUKAS SCHMID and MARK SChELKER (University of Fribourg), CHRISTINE BENESCH started to investigate how the introduction of the online information tool Smartvote affects voter turnout, voters’ decision making and election outcomes. The project is interesting and relevant because the advancement of the internet and online information has not only changed the amount of and access to information but also the structure of information available to voters. The voting advice application Smartvote allows voters to compare candidates’ policy preferences to their own, thereby reducing costs of information especially on new candidates and small parties which are relatively less well observable through traditional information channels.

There is hardly any research so far on the aggregate effects of these changes in information structure. The literature on Smartvote and other online information applications has mainly analyzed the characteristics and election decision of Smartvote users versus non-users using survey data. While these studies show some interesting patterns, such that voter turnout is higher among Smartvote users or that users change their voting intentions, these studies suffer from severe selection bias. I.e., those voters who use online voting advice applications are usually the group of voters particularly interested in politics or swing voters without strong political preferences and they would probably vote differently even without Smartvote.

In this project, we use data on the availability of the voting advice application Smartvote during Swiss cantonal elections. The Swiss context offers an ideal setting to identify causal effects of online information on voters’ behavior and election outcomes. Smartvote was introduced in different cantons at different points in time which allows us to analyze the causal effects of online information in a difference-in-difference framework.

First results show that the introduction of Smartvote is not associated with higher turnout but with higher vote shares of the smaller parties (and hence lower vote shares of the bigger parties). These results are consistent with the idea that Smartvote does not lower general information costs enough to lead to a turnout effect, but mainly changes relative information costs. Small parties, individual candidates and challengers get an information advantage relative to the situation before. Further analysis will shed more light on the exact mechanisms behind this result by analyzing more detailed voting statistics at the local level.