

**NEWSLETTER 2018-24****CALENDAR:****Departmental Seminar**

Til Requate (University of Kiel):
*Sanctions and Convergence of Cooperative Behavior Improve
International Collaboration*

Monday, October 29
16:30–18:00
H26

IOS Seminar

Kati Krähnert (DIW Berlin):
*Does index-insurance help households recover from disaster?
Evidence from IBLI Mongolia*

Tuesday, October 30
13:30–15:00
WiOS 109 (Landshuter Str. 4)

ABSTRACTS:**Departmental Seminar**

Til Requate

(Joint work with Gianluca Grimalda, Alexis Belianin, Heike Hennig-Schmidt and Marina V. Ryzhkova)

Sanctions and Convergence of Cooperative Behavior Improve International Collaboration

Abstract: In this paper we report results on a collective risk social dilemma (CRSD) mimicking the world's effort to avoid catastrophic climate change. We conduct an experiment where group members can avoid the probability of a major loss of their private wealth by contributing to a public account. The higher the amount contributed, the lower the probability of a major loss. Moreover, subjects can punish each other for under- (or over-) contributing to the public account. The literature (e.g., Gaechter et al, 2010) has divided different cultural regions into social and anti-social punishers. Using German subjects (classified as social punishers) and Russian subjects (classified as anti-social punishers), we set up a 2 by 2 by 2 experimental design, controlling for punishment (P) vs non-punishment (NP), within-country group composition (German vs. Russian) versus-between country group composition (equal number of German and Russians in one group), and among the latter with and without knowledge about the group composition. Subjects came from four cities – two in Germany and two in Russia– and interacted in real time via the Internet. We find that Russian subjects, who cooperate less than German subjects within-country, converge to the same behavior as German subjects in international interactions. German subjects behave in the same way within-country and between-country. This is the case regardless of whether the counterparts' nationality is revealed or not. Similar positive effects of international cooperation also occur in NP treatments but fall short of statistical significance.

IOS Seminar

Kati Krähnert:

Does index-insurance help households recover from disaster? Evidence from IBLI Mongolia

Abstract: This paper investigates the impact of indemnity payments from index insurance on the asset recovery of households after a catastrophic weather disaster occurs. Our focus is on the Index-Based Livestock Insurance (IBLI) in Mongolia. We analyze the effect of IBLI indemnity payments after a once-in-50-year winter disaster struck Mongolia over 2009/10. The database for our analysis is three waves of a household panel survey implemented in western Mongolia. We employ the bias-corrected matching estimator to account for selection into purchasing IBLI. Results indicate that pastoralist households purchasing IBLI before the shock recover faster from shock-induced asset losses than comparable non-insured households. We find a significant, positive and economically large effect of IBLI indemnity payments on herd size one and two years after the shock. In the medium term - three and four years after the shock - the effect slowly vanishes. Results are robust to defining post-shock livestock recovery in different ways, varying the number of matches per observation, the choice of covariates, and the use of alternative propensity score estimators. An analysis of shock coping strategies as well as complementary qualitative interviews conducted in the field suggest that indemnity payments help herders to avoid selling and slaughtering animals and smooth their productive asset base. Also, IBLI appears to have relieved households from credit constraints. Our study is among the first to provide evidence on the beneficial effects of index insurance after a weather shock in a developing economy.

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**FAKULTÄT FÜR
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INSTITUT FÜR
VOLKSWIRTSCHAFTSLEHRE UND
ÖKONOMETRIE

Universitätsstraße 31 ■ 93040 Regensburg

Newsletter-Redaktion: Martina Kraus-Pietsch

Telefon: +49 941 943-2710

Fax: +49 941 943-2734

E-Mail: econ.news@ur.de

Internet: www-economics.ur.de

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