No. 570

Workshops and Seminars July 01 – 05, 2019

Monday, July 01, 2019

Uniclub Bonn **19:00** Wolfgang-Paul-Saal, Kreuzbergweg 28	**Dr. Mario Holzner,** Wiener Inst. für Internationale Wirtschaftsvergleiche „China entgegenkommen? – Zur Konstruktion einer europäischen Seidenstraße"

Tuesday, July 02, 2019

Finance and Insurance / CRC TR 224 Seminar **12:15,** Juridicum, Faculty Lounge, Room 0.036	**Jing Zeng,** Frankfurt School of Finance and Management "Off-Balance Sheet Funding, Voluntary Support and Investment Efficiency"
Applied Micro / CRC TR 224 Workshop, in co-operation with briq **16:00,** briq, Schaumburg-Lippe-Straße 9	**Oriana Bandiera,** LSE "Why do people stay poor?"
RTG 2281 Summer School **16:45,** Kaiserplatz 7 – 9, Room 4.006	**Giuseppe Moscarini,** Yale Univ. *tba*

Wednesday, July 03, 2019

Micro Workshop BGSE **12:00,** Juridicum, Room 0.017	**Tobias Rachidi,** Univ Bonn *tba*
Micro Theory / CRC TR 224 Seminar **16:30,** Juridicum, "Fakultätszimmer"	**Christina Lauer,** Univ. Bonn "Pre-Election Polls: Incentives and Welfare"
RTG 2281 Summer School **16:45,** Kaiserplatz 7 – 9, Room 4.006	**Aysegul Sahin,** Univ of Texas, Austin *tba*
MPI Research Seminar **17:00,** MPI, Kurt-Schumacher-Straße 10 Seminar Room, Ground Floor	**Johannes Haushofer,** Princeton Univ. "Psychology and Behavioral Economics of Poverty"

Thursday, July 04, 2019

Econometrics and Statistics Seminar **14:00,** Juridicum, Faculty Lounge, Room 0.036	**Christian Conrad,** Univ. Heidelberg "Modelling the Forecast Errors: the MEM GARCH model"
Macro/Econometrics/Finance Seminar **16:15,** Kaiserplatz 7 – 9, Room 4.006	**Yueran Ma,** Chicago Booth "Overreaction in Macroeconomic Expectations"

Friday, July 05, 2019

Applied Micro Workshop II
09:00, briq, Schaumburg-Lippe-Straße 9

Jan Luca Henkel, BGSE
"Ambiguity as a Determinant of Discounting"

Applied Micro Workshop III
10:30, briq, Schaumburg-Lippe-Straße 9

Peter Andre, BGSE
"Subjective Models of the Macroeconomy:
Evidence from Experts and a Representative
Sample"

Applied Micro Workshop IV
12:45, briq, Schaumburg-Lippe-Straße 9

Janoś Gabler, BGSE
"The Coevolution of Skills and Preferences of
School –age Children"

Applied Micro Workshop V
14:15, briq, Schaumburg-Lippe-Straße 9

Klara Röhrl, BGSE
"Inequality and the Pursuit of Happiness: How
Poor Children Grow Unhappy and What We Can
Do About It"

Uniclub Bonn

Dr. Mario Holzner, Wiener Inst. für Internationale Wirtschaftsvergleiche
„China entgegenkommen? – Zur Konstruktion einer europäischen Seidenstraße"

Abstract
Die Europäer hat Unbehagen erfasst. Sie beobachten, dass China mit verschiedenen Initiativen nach Europa vordringt. Als spektakulär gelten der Kauf des griechischen Hafens Piräus und die Initiative 16+1, mit der auch auf EU-Staaten unmittelbar Einfluss genommen werden kann. In diesem Kontext werden immer wieder Vorbehalte gegenüber China laut. Konstruktiver ist demgegenüber ein anderer Denkansatz, demzufolge Europa seinerseits ein Großprojekt entwickeln sollte, das der chinesischen bzw. asiatischen Seidenstraße entgegenkommt und insofern die chinesische Initiative gewinnbringend aufgreift. Herr Holzner stellt hier eine neue Studie seines Instituts zu einer „Europäischen Seidenstraße" als komplementäre Struktur zur chinesischen Initiative vor, von der sowohl China als auch Europa profitieren wurden.

Finance and Insurance / CRC TR 224 Seminar

Jing Zeng, Frankfurt School of Finance and Management
"Off-Balance Sheet Funding, Voluntary Support and Investment Efficiency"

Abstract
Off-balance sheet financing of an investment is covered by limited liability, whereas on-balance sheet financing creates unlimited liability towards the bank's asset-in-place. Off-balance sheet funding thus gives the bank flexibility to voluntarily support debt repayments when the investment fails, which allows the bank to signal information about the quality of its future projects, improving investment efficiency. Yet, limited liability reduces the bank's effort incentives. Off-balance sheet funding with voluntary support is optimal for activities that are rapidly growing or negatively correlated with existing assets. The model yields testable predictions on the relationship between off-balance sheet debt spreads and sponsors' characteristics.

Applied Micro / CRC TR 224 Workshop

Oriana Bandiera, LSE
"Why do people stay poor?"
(with Clare Balboni, Robin Burgess, Maitreesh Ghatak, Anton Heil)

Abstract
Rural day laborers account for a large share of the global poor. This paper asks whether their state of persistent poverty is due to innate traits that make them unproductive at more remunerative occupations or, in contrast, whether it is poverty itself that limits opportunities and traps them in poverty. We provide evidence using a randomized control trial of an asset transfer program in Bangladesh with data on 23,000 individuals from across the wealth distribution in 1,309 villages, surveyed four times between 2007 and 2014. We find that a large share of beneficiaries were in a poverty trap. We identify the threshold level of initial capital such that individuals close to it escape poverty whereas those further away fall back into poverty. We use data from control villages to show that: (i) there is a missing mass around the threshold; (ii) differences in individual productivity or random shocks to productive assets cannot explain the response to the program. We test three possible mechanisms underlying the trap—nutritional, behavioral, and technological—and find evidence only for the last. We discuss the implications of our results for the design of policies to reach the extreme poor and eliminate global poverty.

RTG 2281 Summer School
Giuseppe Moscarini, Yale Univ.
tba

MPI Research Seminar
Johannes Haushofer, Princeton Univ.
"Psychology and Behavioral Economics of Poverty"

Micro Workshop BGSE
Tobias Rachidi, Univ. Bonn
tba

Micro Theory / CRC TR 224 Seminar
Christina Lauer, Univ. Bonn
"Pre-Election Polls: Incentives and Welfare"

Abstract
This paper studies costly, instrumental voting in a large, two-candidate election with private values. The ex ante symmetric environment features aggregate uncertainty about the preference distribution and a pre-election poll is conducted to inform the citizens its realization. Citizens then base their participation decision on the provided information. If the poll is answered truthfully by all participants, the under-dog effect implies that the supporters of the trailing candidate turn out at higher rates than the supporters of the leader of the poll. This effect provides incentives for the poll participants to misrepresent their preferences in order to encourage the voters who have the same preferences to turn out. If poll participants are strategic, there does not exist an equilibrium where the poll conveys any information. Therefore, supporters of either candidate turn out with equal probability. We contemplate on the welfare implications of polls.

RTG 2281 Summer School
Aysegul Sahin, Univ of Texas, Austin.
tba

Econometrics and Statistics Seminar
Christian Conrad, Univ. Heidelberg
"Modelling the Forecast Errors: the MEM GARCH model"
(with Robert Engle)

Abstract
We suggest a multiplicative mixed frequency component MEM GARCH model.The model consists of a daily (high-frequency) GARCH component and one or multiple low-frequency components. The low-frequency components are based on MEM equations for the cumulated standardized forecast errors of the GARCH component within the low-frequency periods. We derive conditions for strict and weak stationarity of the MEM GARCH and discuss misspecification testing. Since the new model is dynamically complete, it is straightforward to construct multi-step ahead volatility forecasts. We apply the model to forecasting the volatility of the S&P 500 and three international stock indices. The MEM GARCH significantly outperforms the nested one-component GARCH out-of-sample.

Macro/Econometrics/Finance Seminar

Yueran Ma, Chicago Booth
"Overreaction in Macroeconomic Expectations"

Abstract

We study the rationality of individual and consensus professional forecasts of macroeconomic and financial variables using the methodology of Coibion and Gorodnichenko (2015), which examines predictability of forecast errors from forecast revisions. We report two key findings: forecasters typically over-react to their individual news, while consensus forecasts under-react to average forecaster news. To reconcile these findings, we combine the diagnostic expectations model of belief formation from Bordalo, Gennaioli, and Shleifer (2018) with Woodford's (2003) noisy information model of belief dispersion. The forward looking nature of diagnostic expectations yields additional implications, which we also test and confirm. A structural estimation exercise indicates that our model captures important variation in the data, yielding a value for the belief distortion parameter similar to estimates obtained in other settings.

Applied Micro Workshop II

Jan Luca Henkel, BGSE
"Ambiguity as a Determinant of Discounting"

Abstract

Decisions with outcomes realizing in the future inherently contain ambiguity. This suggest a natural link between ambiguity and intertemporal behavior. Based on this, I investigate whether ambiguity attitudes shape intertemporal decision-making using a laboratory experiment. A key feature of my design is that I jointly elicit ambiguity attitudes as well as discounting behavior over a consumption good. Importantly, I exogenously vary the timing of receiving the good and, independently, the ambiguity over the utility of consuming the good. This allows me to quantify the change in ambiguity over time and causally measure its impact on discounting behavior.

Pilot data suggests that ambiguity indeed has a causal impact and is capable of explaining a large fraction of observed discounting behavior.

Applied Micro Workshop III

Peter Andre, BGSE
"Subjective Models of the Macroeconomy: Evidence from Experts and a Representative Sample"
(with Carlo Pizzinelli, Christopher Roth, Johannes Wohlfart)

Abstract

We propose a method to measure people's subjective models of the macroeconomy. Using a representative sample of the US population and a sample of experts we study how expectations about the unemployment rate and the inflation rate change in response to four different hypothetical exogenous shocks: a monetary policy shock, a government spending shock, a tax shock, and an oil price shock. While expert predictions are mostly quantitatively aligned with standard dynamic stochastic general equilibrium models and vector auto-regression evidence, there is strong heterogeneity in the predictions in the representative panel. While households predict changes in unemployment that are qualitatively in line with the experts for all four shocks, their predictions of changes in inflation are at odds with those of experts both for the tax shock and the interest rate shock. People's beliefs about the micro mechanisms through which the different macroeconomic shocks are propagated in the economy strongly affect how aligned their predictions are with those of the experts. More educated and older respondents form their expectations more in line with experts, consistent with roles for cognitive limitations and learning over the life-cycle. Our findings inform the validity of central assumptions about the expectation formation process and have important implications for the optimal design of fiscal and monetary policy.

Applied Micro Workshop IV

Janoś Gabler, BGSE
"The Coevolution of Skills and Preferences of School –age Children"
(with Armin Falk, Fabian Kosse, Pia Pinger)

Abstract
This project casts light on how cognitive skills and economic preferences such as patience and prosociality develop during childhood and youth. The literature proposes several channels by which skills and preferences influence each other, often with opposing directions of causality. In addition, skills and preferences can only be measured noisily.
To overcome these challenges, we rely on recent identification results and estimation methods for nonlinear dynamic latent factor models. This allows us to quantify the bidirectional effects between skills and preferences without imposing a direction of causality. The resulting latent factor model is estimated on unique panel data of 700 children followed over 5 years. Each year, skills were assessed with comprehensive tests and preferences were elicited in incentivized games. This wealth of data allows us to draw a detailed picture of the interplay of preferences and cognitive skills.

Applied Micro Workshop V

Clara Röhrl, BGSE
"Inequality and the Pursuit of Happiness: How Poor Children Grow Unhappy and What We Can Do About It"
(with Armin Falk, Fabian Kosse, Pia Pinger)

Abstract
This study presents descriptive and causal evidence on the development of life satisfaction during childhood and adolescence. In a first step we show that children are very satisfied with their lives before the onset of puberty irrespective of their socio-economic background but that life satisfaction decreases significantly during adolescence. In a second step we present evidence that children with low socio-economic status (SES) experience a larger decrease in their life satisfaction than their more advantaged peers. Taking advantage of a randomized mentoring intervention in our data reveals that enriching children's social environment can prevent the gap in life satisfaction between low and high SES from opening up. Finally, we investigate which children benefited the most from the intervention.