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Workshops and Seminars January 20 – 24, 2020

Monday, Jan 20, 2020	
Special Lecture Finance I **12:15,** Juridicum, Faculty Lounge, Room 0.036	**Negar Ghanbari,** NHH “Do Creditor Rights Affect Financial Contracts? Evidence from the Anti-Recharacterization Statute”
Tuesday, Jan 21, 2020	
Finance and Insurance / EXC 2126 / CRC TR 224 Seminar **12:15,** Juridicum, Faculty Lounge, Room 0.036	**Marie Hoerova,** ECB Research “Variation margins, fire sales, and information-constrained optimality”
Applied Micro / CRC TR 224 Workshop, in co-operation with briq **16:00,** briq, Schaumburg-Lippe-Straße 9	**Petra Persson,** Stanford Univ. “The Roots of Health Inequality and the Value of Intra-Family Expertise”
Wednesday, Jan 22, 2020	
Special Lecture Finance II **13:00,** Juridicum, Faculty Lounge, Room 0.036	**Zwetelina Iliewa,** MPI “Dynamic Inconsistency in Risky Choice: Evidence from the Lab and Financial Markets”
MPI Research Seminar **17:00**, MPI, Kurt-Schumacher-Straße 10 Seminar Room, Ground Floor	**Urs Fischbacher,** Univ. Konstanz “Cooperation, Bribery, and the Rule of Law”
Thursday, Jan 23, 2020	
Econometrics and Statistics Seminar **14:00,** Juridicum, Faculty Lounge, Room 0.036	**Göran Kauermann,** LMU München “Temporal Network Models – or – Understanding the Trading of Arms”
15th Manchot Lecture **17:15,** Juridicum Lecture Hall C	**Guido Tabellini,** Bocconi Univ., Milan “Is Europe an optimal policital area”
Friday, Jan 24, 2020	
Special Lecture **10:15,** Juridicum, Lecture Hall H	**Guido Tabellini,** Bocconi Univ., Milan “Identity, beliefs and political conflict”

Special Lecture Finance I

Negar Ghanbari, NHH
"Do Creditor Rights Affect Financial Contracts? Evidence from the Anti-Recharacterization Statute"

Abstract
This paper examines the effect of creditor rights on bank loan contract design. Focusing on the conflict of interest between creditors, I study how bank lenders respond to a legal change that strengthens the rights of securitization creditors. Improving the power of securitization creditors to seize their collateral in bankruptcy reduces their incentives to maximize recoveries in chapter 11, increasing the risk of other competing creditors, such as banks. I find that loans granted to firms using asset securitization have higher interest rates, higher fees, smaller size, and more covenant restrictions after the law change. These effects are stronger for firms with higher default risk, for which the legal change may have a bigger impact. My findings thus highlight how increasing the power of some corporate creditors affects the other financial contracts of the firm.

Finance and Insurance / EXC 2126 / CRC TR 224 Seminar

Marie Hoerova, ECB Research
"Variation margins, fire sales, and information-constrained optimality"

Abstract
Protection buyers use derivatives to share risk with protection sellers, whose assets are only imperfectly pledgeable because of moral hazard. To mitigate moral hazard, privately optimal derivative contracts involve variation margins. When margins are called, protection sellers must liquidate some of their own assets. We analyse, in a general-equilibrium framework, whether this leads to ineffcient fire sales. If investors buying in a fire sale interim can also trade ex ante with protection buyers, equilibrium is information-constrained effcient even though not all marginal rates of substitution are equalized. Otherwise, privately optimal margin calls are ineffciently high. To address this ineffciency, public policy should facilitate ex-ante contracting among all relevant counterparties.

Applied Micro / CRC TR 224 Workshop

Petra Persson, Stanford Univ.
"The Roots of Health Inequality and the Value of Intra-Family Expertise"
(with Yiqun Chen, Maria Polyakova)

Abstract
Mounting evidence documents a stark correlation between income and health, yet the causal mechanisms behind this gradient are poorly understood. This paper examines the impact of access to expertise on health, and whether unequal access to expertise contributes to the health-income gradient. Our empirical setting, Sweden, allows us to shut down inequality in formal access to health care; we first document that strong socioeconomic gradients nonetheless persist. Second, we study the effect of access to health-related expertise – captured by the presence of a health professional in the extended family – on health. Exploiting "admissions lotteries" into medical schools and variation in the timing of degrees, we show that access to intra-family medical expertise has far-reaching health consequences, at all ages: It raises longevity, improves drug adherence and reduces the occurrence of lifestyle-related disease in adulthood, raises vaccination rates in adolescence, and reduces tobacco exposure in utero. Third, we show that the effects of expertise are larger at the lower end of the income distribution – precisely where access to expertise is scarcer. Unequal access to health-related expertise can account for as much as 18% of the health-SES gradient, and may thus play a significant role in sustaining health inequality.

Special Lecture Finance II

Zwetelina Iliewa, MPI
"Dynamic Inconsistency in Risky Choice: Evidence from the Lab and Financial Markets"
(with Rawley Heimer, Alex Imas, Martin Weber)

Abstract
Many economically important settings, from financial markets to consumer choice, involve sequential decisions under risk. We use experiments and a unique dataset of traders' investment decisions to show that people making choices in such settings systematically deviate from their ex-ante plans. In two pre-registered studies (N = 940), participants made choices over whether to accept or reject fair gambles with feedback provided after every decision. We elicited participants' ex-ante strategies which characterized their desired risk-taking conditional on future outcomes. A large majority of participants reported "loss-exit" strategies, which involve taking on more risk after gains and stopping after losses. Actual behavior exhibited a reverse pattern: participants stopped substantially earlier after seeing gains than after experiencing losses. We find evidence for at least partial sophistication about this dynamic inconsistency, with participants being more likely to begin accepting risk if they could commit to an ex-ante strategy. However, this sophistication is limited in scope: participants are just as likely to begin taking on risk under soft commitment as when their strategies are binding, but systematically deviate from their plans similar to when no commitment is available. These patterns can be replicated in the field, using a unique brokerage dataset containing traders' limit orders (stop-loss and take-profit) and subsequent order revisions for 190,000 retail traders. Traders submit "loss-exit" strategies through their limit orders, but systematically deviate by lowering their stop-loss limits after experiencing losses and manually closing positions too early after gains. These findings offer strong support for the dynamic predictions of Cumulative Prospect Theory, thereby providing a parsimonious explanation for why investors and consumers routinely take 'bad' risk (e.g., casino gambling, speculation in risky asset markets, etc.). We discuss implications for evaluating the effects of recently proposed regulation that mandate non-binding commitment opportunities.

MPI Research Seminar

Urs Fischbacher, Uni Konstanz
"Cooperation, Bribery, and the Rule of Law"

Abstract
Corruption reduces societies' welfare as it undermines incentives for civic behavior. However, less is known about the conditions that amplify or protect from negative consequences of corruption. This study investigates in an experiment how the effect of corruption on civic cooperation is mediated by the rule of law, i.e., whether punishment rules are just or not. Our basic setup is a repeated public goods game where citizens can contribute and an official can punish. We vary, first, whether citizens can bribe the official or not, and second, whether excessive punishment of high contributors is precluded (strong rule of law) or not (weak rule of law). We find that the possibility of bribery deteriorates cooperation only under a weak rule of law. This negative externality is avoided when a strong rule of law protects high contributors from harassment bribery, even if citizen-driven (collusive) bribery persists. Our findings show how justice institutions that limit officials´ power can protect from the societal costs of corruption.

Econometrics and Statistics Seminar

Göran Kauermann, LMU München
"Temporal Network Models – or – Understanding the Trading of Arms"

Abstract
The talk starts with an introduction to Exponential Random Graph Models (ERGM), the statistical work-horse model for the analysis of network data. We demonstrate the central modeling idea and discuss estimation strategies. The model class of ERGMs is then extended towards dynamic models, that is for network data which are observed at different time-points t=1,….T. We discuss two central models in this

field. First, the temporal Exponential Random Graph Model (tERGM), which is an extension of the classical ERGM by allowing network statistics to depend on previous networks. Secondly, we introduce the separable temporal Exponential Random Graph Model (stERGM), which allows to decompose temporal changes into edges that develop and edges that vanish from one time-point to the next. The models are applied to network data on arm trading, provided by the Stockholm Peace Research Institute (SIPRI). The data give inter-state arm trading of heavy conventional weapons (tanks, air crafts, missiles etc.) from the 50th up to the recent years. We explore what drives the changes in the network by employing the two proposed temporal network models.

15th Manchot Lecture

Guido Tabellini, Bocconi Univ., Milan
"Is Europe an optimal policital area"

The Manchot Lecture is open to the public and addresses a general audience interested in economic research. Please also see attached poster.

Special Lecture

Guido Tabellini, Bocconi Univ., Milan
"Identity, beliefs and political conflict"

Redaktionsschluss / Deadline
BONN ECON NEWS No. 573
WEDNESDAY, JAN 22, 2020
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The Bonn Graduate School of Economics in collaboration with the Universitätsgesellschaft Bonn proudly announces the 15th

Manchot Lecture

Sponsored by Jürgen Manchot Stiftung and to be delivered by

Professor Guido Tabellini

Professor of Economics, Università Bocconi, Milan

“Is Europe an optimal political area?”

Thursday, January 23rd, 2020 at 17:15

Juridicum, Adenauerallee 24-42, lecture hall C

The Manchot Lecture is open to the public and addresses a general audience interested in economic research.