DEPARTMENT OF ECONOMICS BONN

BONN ECON NEWS

January 8–12, 2024

Overview

Paul Grass, Malin Siemers (University of Bonn)
"Sticky Models"

Job Talk W1 Professorship Econometrics
Deborah Kim (Northwestern University)
"Testing Sign Agreement"

BGSE Applied Microeconomics Workshop
Philipp Schirmer (University of Bonn)
"Mental Models of the Stock Market"

Name of workshop or seminar

Workshops and seminars

Tuesday, January 9, 2024

Job Talk W2 Professorship Macroeconomics

Jonas Loebbing (LMU)	“Optimal Stabilization Policy Responses to Necessity Supply Shocks”

Time
12:00 CET

Location
Juridicum, Faculty Meeting Room (U1.040)

Hybrid
https://uni-bonn.zoom-x.de/j/62374147597?pwd=NHFCQlpxVmVpWWJFbXBMdW9uS2xPUT09

Job Talk W1 Professorship Econometrics

Timo Schenk (University of Amsterdam)	“Mediation Analysis in Difference-in-Differences Designs”

Time
14:00 CET

Location
Juridicum, Faculty Meeting Room (U1.040)

Bonn Applied Microeconomics Seminar (CRC TR 224 Seminar)

Yves Le Yaouanq (École Polytechnique, CREST-IP Paris)	“Making sense: An esteem-based model of collective delusions”
Coauthors Peter Schwardmann, Joël J. van der Weele Time 14:15–15:30 CET Location IZA, Schaumburg-Lippe-Straße 9	Abstract People tend to rationalize giving in to their biases and vices by constructing justifications for them. We provide a model of such self-deception in interactions where people value a reputation as a reasonable, evidence-based decision-maker. The model produces complementarities in self-deception: Ann’s rationalizations undermine her ability to critically judge Bob’s actions, allowing Bob to indulge in more rationalization. Complementarities also occur among opposing political partisans: Republican rationalizations allow Democrats to attribute any policy disagreements to Republicans’ folly, thus encouraging Democrats’ own self-deception. This results in the existence of multiple equilibria: one where people are realistic and a fully polarized one, where both sides rationalize away all inconvenient evidence.

Wednesday, January 10, 2024

BGSE Micro Workshop

Guy Yanay (Hebrew University of Jerusalem)	“Compound Lotteries without Compound Independence”
Time 12:00–13:00 CET Location Juridicum, Reinhard Selten Room (0.017)	Abstract Compound lotteries are useful modelling tools for information preferences, ambiguity, and dynamic choice. A key assumption in dealing with preferences over such objects in the past has been ‘Compound Independence’, a weakened version of Independence which surprisingly led back to expected utility, even under weaker assumptions. I present two representation theorems that do away with Compound Independence and offer new recursive utility functions that represent wider preference over multi-stage lotteries. I characterize risk and information attitudes for such preferences and offer an application to investor behavior which rationalizes changing information preferences and myopic loss aversion.

Job Talk W2 Professorship Macroeconomics

Anne Hannusch (University of Mannheim)	“Cohabitation and Child Development”
Time 12:15 CET Location Juridicum, Faculty Meeting Room (U1.040) Hybrid https://uni-bonn.zoom-x.de/j/62374147597?pwd=NHFCQlpxVmVpWWJFbXBMdW9uS2xPUT09	

Micro Theory Seminar

Giacomo Lanzani (Harvard University)	“(Un-)Common Preferences, Ambiguity, and Coordination”
Coauthors Simone Cerreia-Vioglio, Roberto Corrao Time 16:30–17:45 CET Location Juridicum, Faculty Meeting Room (U1.040)	Abstract We study the ‘common prior’ assumption and its implications when agents have differential information and preferences beyond subjective expected utility (SEU). We consider consequentialist interim preferences that are consistent with respect to the same ex-ante evaluation and characterize the latter in terms of extreme limits of higher-order expectations. Notably, agents are mutually dynamic consistent with respect to the same ex-ante evaluation if and only if all the limits of higher-order expectations are the same, extending beyond SEU the classical characterization of the common prior assumption in Samet. Within this framework, we characterize the properties of equilibrium prices in financial beauty contests (and other coordination games) in terms of the agents’ private information, coordination motives, and attitudes toward uncertainty. Differently from the SEU case, the limit price does not coincide in general with the common ex-ante expectation. Moreover, when the agents share the same benchmark probabilistic model, high-coordination motives make their concern for misspecification disappear in equilibrium, exposing them to a divergence between the market price and the fundamental value of the security.

Job Talk W1 Professorship Applied Microeconomics

Cäcilia Lipowski (ZEW Mannheim and Utrecht University)	“No Kids, No Tech: How Shortages of Young Workers Hinder Firm Technology Adoption”
Time 14:00–15:30 CET Location ECONtribute, Niebuhrstraße 5, conference room Hybrid https://uni-bonn.zoom-x.de/j/67461856330 Password TBA via Applied Micro mailing list	Abstract Firms in developed countries increasingly report shortages of skilled workers. This paper studies how shortages of young labor market entrants, particularly trainees, affect firm technology adoption. I exploit exogenous variation in trainee supply induced by an education reform in Germany in 2001. Based on a large firm panel survey and social security records, I show that a reduction in trainee supply decreases firm technology investments. This effect is explained by trainees excelling in learning new skills, which provokes high capital adjustment costs when trainees are scarce. These findings dampen hopes of counteracting labor shortages by substituting labor with capital.

Thursday, January 11, 2024

Job Talk W1 Professorship Applied Microeconomics

Jon Piqueras (University College London)	“Unemployment Insurance, Inequality of Opportunity, and Labor Market Conditions”
Time 10:00–11:30 CET Location Juridicum, Fakultätssitzungszimmer Hybrid https://uni-bonn.zoom-x.de/j/64075753941 Password TBA via Applied Micro mailing list	Abstract This paper studies whether unemployment insurance should vary over the business cycle. I propose and empirically evaluate a framework to assess the optimal duration of unemployment benefits that accounts for differential selection of individuals into unemployment due to disparities in the availability of work opportunities. I derive sufficient statistics formulae showing that the optimal duration depends on the efficiency cost of providing insurance, the consumption insurance value, and the social preferences for redistribution between different types of unemployed. I examine how these components vary over the cycle by exploiting the large variation in unemployment rate over time and across regions in Spain between 2005 and 2017. To quantify the efficiency cost of providing insurance, I apply a regression discontinuity design using administrative data and show that the distortion induced by benefit extensions declines in recessions. To assess the insurance value, I use survey data on consumption and show that individuals experience larger drops in consumption upon job loss when the unemployment rate is high. To gauge the preferences for redistribution between different types of unemployed, I collect survey data and demonstrate that people are more favorable to provide benefits to individuals with higher willingness to work, and that the share of this type of unemployed increases in downturns. Taking into account all these forces, I find that optimal unemployment insurance should have been more generous at the peak of the Great Recession than in the preceding period. Furthermore, contrary to the conventional wisdom, my analysis reveals that the welfare gains of extending benefit duration coming from the social benefits are more countercyclical than the ones related to the costs, and so the optimal level of cyclicality is substantially underestimated in the existing literature.

Econometrics & Statistics Seminar

Clément de Chaisemartin (Sciences Po)	“Difference-in-Differences for Continuous Treatments and Instruments with Stayers"
Time 16:00–17:00 CET Location Juridicum, Faculty Meeting Room (U1.040)	Abstract We propose difference-in-differences estimators for continuous treatments with heterogeneous effects. We assume that between consecutive periods, the treatment of some units, the switchers, changes, while the treatment of other units does not change. We show that under a parallel trends assumption, an unweighted and a weighted average of the slopes of switchers' potential outcomes can be estimated. While the former parameter may be more intuitive, the latter can be used for cost-benefit analysis, and it can often be estimated more precisely. We generalize our estimators to the instrumental-variable case. We use our results to estimate the price-elasticity of gasoline consumption.

Friday, January 12, 2024

BGSE Applied Microeconomics Workshop

Jörn-Niklas Frerking (University of Bonn)	“Intra-household insurance and unemployment duration”
Time 10:30–11:45 CET Online Zoom URL TBA via Applied Micro mailing list	Abstract I present revised evidence on the empirical relationship between intra-household insurance through spousal labor income and the duration of unemployment spells. First, I use individual-level panel data from the Dutch population survey to demonstrate the extent to which consumption spending is shared between partners in households with and without an unemployed member. I then analyze the relationship between intra-household transfers in consumption spending and unemployment duration for spells starting between 2013 and 2021. The analysis combines high-quality microdata covering the entire Dutch population from several administrative registers. Finally, I propose ideas for how the results could be used to evaluate a 2016 policy reform that reduced the maximum unemployment benefit duration from 38 to 24 months.

Job Talk W1 Professorship Macroeconomics

Philipp Gruebener (Goethe Universität Frankfurt)	“Firm Dynamics and Earnings Risk”

Time
12:15 CET

Location
Juridicum, Room 0.042

Hybrid
https://uni-bonn.zoom-x.de/j/62374147597?pwd=NHFCQlpxVmVpWWJFbXBMdW9uS2xPUT09

BGSE Applied Microeconomics Workshop

Paul Grass, Malin Siemers (University of Bonn)	“Sticky Models”

Coauthor
Philipp Schirmer

Time
13:00–14:15 CET

Location
IZA, Schaumburg-Lippe-Straße 9

Abstract
We experimentally investigate the dynamics of model formation and revision. The two-stage experimental design exogenously varies the order in which model-relevant variables are revealed. In pilot data, we provide preliminary evidence suggesting that subjects’ mental models are sticky, that is, initial models persist after subjects need to substantially revise their mental models dynamically. In additional experiments, we plan on providing evidence on how (i) attention, (ii) complexity, and (iii) cognitive dissonance contribute to “sticky models.”

Job Talk W1 Professorship Econometrics

Deborah Kim (Northwestern University)	“Testing Sign Agreement”

Time
14:00 CET

Location
Juridicum, Reinhard Selten Room (0.017)

Philipp Schirmer (University of Bonn)	"Mental Models of the Stock Market"

Coauthors
Peter Andre, Johannes Wohlfahrt

Time
14:30–15:45 CET

Online
Zoom URL TBA via Applied Micro mailing list

Abstract
Investors' return expectations are pivotal in stock markets, but the reasoning behind these expectations remains a black box for economists. This paper sheds light on economic agents' mental models – their subjective understanding – of the stock market, drawing on surveys of the US general population, US retail investors, US financial professionals, and academic experts. Respondents make return forecasts in scenarios describing stale news about the future earnings streams of companies, and we collect rich data on respondents' reasoning. We document three main results. First, inference from stale news is rare among academic experts but common among households and financial professionals, who believe that stale good news lead to persistently higher expected returns in the future. Second, while experts refer to the notion of market efficiency to explain their forecasts, households and financial professionals reveal a neglect of equilibrium forces. They naïvely equate higher future earnings with higher future returns, neglecting the offsetting effect of endogenous price adjustments. Third, a series of experimental interventions demonstrate that these naïve forecasts do not result from inattention to trading or price responses but reflect a gap in respondents' mental models – a fundamental unfamiliarity with the concept of equilibrium.