DEPARTMENT OF ECONOMICS BONN

BONN ECON NEWS

June 16–20, 2025

Overview

Universität Bonn, Adenauerallee 24-42, 53113 Bonn
www.econ.uni-bonn.de
Editor: Deike Engel, Department of Economics
Phone: +49 (0)228-73 3070; mail: econpr@uni-bonn.de

Workshops and seminars

Tuesday, June 17, 2025

Bonn Applied Microeconomics Seminar (CRC TR 224 Seminar)

Cuimin Ba
(University of Pittsburgh)

"Over- and Underreaction to Information: The Role of Complexity in Belief-Updating"

Coauthors
J. Aislinn Bohren, Alex Imas

Time
14:15–15:45 CET

Location
IZA, Conference Room, Schaumburg-Lippe-Straße 9

Abstract
This paper explores how cognitive constraints—namely, attention and processing capacity—interact with properties of the learning environment to determine how people react to information. In our model, people form a simplified mental representation of the environment via salience-channeled attention, then process information with cognitive imprecision. The model predicts overreaction to information when environments are complex, signals are noisy, information is surprising, or priors are concentrated on less salient states; it predicts underreaction when environments are simple, signals are precise, information is expected, or priors are concentrated on salient states. Results from a series of pre-registered experiments provide support for these predictions and direct evidence for the proposed cognitive mechanisms. We show that the two psychological mechanisms act as cognitive complements: their interaction is critical for explaining belief data, and together they yield a highly complete model in terms of capturing explainable variation in belief-updating. Our theoretical and empirical results connect disparate findings in prior work: underreaction is typically found in laboratory studies, which feature simple learning settings, while overreaction is more prevalent in financial markets which feature greater complexity.

Wednesday, June 18, 2025

BGSE Micro Workshop

Atulya Jain (University of Bonn)	"When Does Communication Lead to Efficiency?"
Coauthors Itai Arieli, Yakov Babichenko, Rann Smorodinsky Time 12:00–13:00 CET Location Juridicum, Reinhard Selten Room (0.017)	Abstract We study a sender–receiver model where the sender chooses a signaling policy to influence the receiver's action. We classify outcomes by the number of actions taken in each state and show that an outcome is generically efficient only if it is pure or quasi-pure. We then analyze the conditions under which equilibrium outcomes in cheap talk and Bayesian persuasion can be efficient. A cheap talk outcome is generically efficient only if it is pure. Moreover, when the sender's preferences are state-independent, a cheap talk outcome is efficient if and only if it induces the sender's most preferred action with certainty. In a natural class of buyer–seller scenarios, we show that the Bayesian persuasion outcome is inefficient across a large range of priors and preferences.

MEF/ECONtribute Seminar (Macro/Econometrics)

Emily Moschini (William & Mary College, Virginia)	"College Financial Aid Application Frictions"
Coauthor Gajendran Raveendranathan Time 12:15–13:30 CET Location Juridicum, Faculty Meeting Room (U1.040)	Abstract We show empirically that 11 percent of recent US high school graduates did not apply for federal financial aid due to finding applying too difficult or mistaken beliefs. Not applying due to such frictions negatively predicts bachelor's degree enrollment, even after controlling for other attributes. We represent these frictions as heterogeneous filing costs in a structural model of college enrollment. We find that the aggregate costs of these frictions are modest because less than of half those affected would ultimately utilize aid. However, costs are large for the affected few with high skill from poor families.

Finance/CRC Seminar

Sasha Indarte (Wharton School, University of Pennsylvania)	"The Impact of Social Insurance on Household Debt"
Coauthor Gideon Bornstein Time 14:45–16:00 CET Location Juridicum, Faculty Lounge (0.036)	Abstract This paper investigates how the expansion of social insurance affects households' accumulation of debt. Insurance can reduce reliance on debt by lessening the financial impact of adverse events such as illness and job loss. But it can also weaken the motive to self-insure through savings, and households' improved financial resilience can increase access to credit. Using data on 10 million people and a quasi-experimental research design, we estimate the causal effect of expanded insurance on household debt, exploiting ZIP-code level heterogeneity in exposure to the staggered expansions of one of the largest US social insurance programs: Medicaid. We find that a 1 percentage point increase in a ZIP code's Medicaid-eligible population increases credit card borrowing by 0.46%. Decomposing this effect in a model of household borrowing, we show that increased credit supply in response to households' improved financial resilience drives the rise in borrowing and contributed 32% of the net welfare gains of expanding Medicaid.

Micro Theory Seminar

Laura Doval (Columbia University)	"Calibrated Mechanism Design"
Coauthor Alex Smolin Time 16:30–17:45 CET Location Juridicum, Faculty Meeting Room (U1.040)	Abstract We study optimal mechanism design in settings where a designer has private information and interacts repeatedly with strategic agents. Motivated by applications like ad auctions, we introduce calibrated mechanism design, in which mechanisms must be robust to the information agents learn over time through participation. We formalize this via calibrated information structures, capturing what players infer from repeated interaction. We characterize implementable outcomes under this constraint, provide a decomposition result in single-agent environments, and show that learning endogenous to the mechanism's operation can fundamentally limit the designer's ability to exploit private information.