

BONN ECON NEWS

October 14–18, 2024

Overview

Workshops and seminars

Tuesday, October 15, 2024

BGSE Applied Microeconomics Workshop

Daniel Evans (BGSE, University of Bonn)

“Predicting Social Science Results”

BGSE Applied Microeconomics Workshop

Antonia Entorf (BGSE, University of Bonn)

“Class size and teacher mental health”

Wednesday, October 16, 2024

BGSE Micro Workshop

Sulagna Dasgupta (University of Bonn)

“Hard information design”

MEF/ECONtribute Seminar (Macro/Econometrics/Finance)

Yongseok Shin (Washington University St. Louis)

Finance/CRC Seminar

Marina Niessner (Indiana University)

“TBA”

Job Mock Talk, IFS

Christina Brinkmann (BGSE, University of Bonn)

“Do Firms Hedge Human Capital?”

Micro Theory Seminar

Nikhil Vellodi (Paris School of Economics)

“A Theory of Self-Prospersion”

Thursday, October 17, 2024

Finance Brown Bag Seminar

Maximilian Günnewig/Yuliyana Mitkov (University of Bonn)

“Optimal Banking Arrangements: Liquidity Creation without Financial Fragility”

Workshops and seminars

Tuesday, October 15, 2024

BGSE Applied Microeconomics Workshop

Daniel Evans
(BGSE, University of Bonn)

"Predicting Social Science Results"

Coauthors

Taisuke Imai, Séverine Toussaert

Time

13:00–14:00 CET

Location

IZA, Conference Room, Schaumburg-Lippe-Straße 9

Hybrid

Zoom link TBA via the Applied Micro mailing list

Abstract

Researchers and policymakers rely on their beliefs about uncertain outcomes when making important decisions, such as whether to pursue a risky project or which policy to implement. Recognizing the value of these beliefs, increasingly many social scientists are collecting predictions of research results. In light of this trend, we conduct a narrative review and a quantitative meta-analysis of social science papers that collect predictions of research results ($N = 104$). We report three main findings from our analyses. First, predictions are moderately correlated with realized results, but they sometimes perform worse than simple statistical algorithms and tend to be upwardly biased when predicting treatment effects and replication probabilities. Second, forecasting performance is substantially improved by harnessing the wisdom of the crowds and collecting diverse opinions. Third, forecasts are a promising tool to assist policymakers with optimal policy selection from a potentially long menu of options.

BGSE Applied Microeconomics Workshop

Antonia Entorf
(BGSE, University of Bonn)

"Class size and teacher mental health"

Coauthors

Miriam Gensowski, Ingo Isphording

Time

14:15–15:15 CET

Location

IZA, Conference Room, Schaumburg-Lippe-Straße 9

Hybrid

Zoom link TBA via the Applied Micro mailing list

Abstract

Mental-health issues are increasingly prevalent among workers, with school teachers being particularly affected. While workplace quality and workload are considered key determinants, establishing a causal relationship remains challenging. This study investigates how teachers' mental health is affected by class size as one marker of workplace conditions. Leveraging detailed Danish register data, which links teacher, student, and parental information for all public primary school teachers from 2013 to 2019, we use exogenous variation in class size from a class size cap of 28 students. We find no significant effect of class size on teachers' mental health, measured by sickness absence and prescription drug use. However, our results suggest that additional teacher support in larger classes may mitigate potential negative health impacts.

BGSE Micro Workshop

<p>Sulagna Dasgupta (University of Bonn)</p>	<p>"Hard information design"</p>
<p>Coauthors Ilia Krasikov, Rohit Lamba</p> <p>Time 12:00–13:00 CET</p> <p>Location Juridicum, Reinhard Selten Room (0.017)</p>	<p>Abstract Many transactions in the marketplace rely on hard (or verifiable) information about the underlying value of the intended exchange, typically through certification--- housing, diamonds, bonds being cases in point. What is the class of Pareto efficient certifications for such scenarios? This paper studies the canonical monopolistic screening problem, and models certification as hard information produced through a test to be flexibly chosen pre-trade. It argues that Pareto efficient tests take a simple form---they produce certification with a partitional structure, often with one or two thresholds. This claim is shown to be true for both the linear trading model and the non-linear pricing model.</p>

MEF/ECONtribute Seminar (Macro/Econometrics/Finance)

<p>Yongseok Shin (Washington University St. Louis)</p>	<p>"Is Software Eating the World?"</p>
<p>Time 12:15–13:30 CET</p> <p>Location Juridicum, Faculty Meeting Room (U1.040)</p>	<p>Abstract When explaining the declining labor income share in advanced economies, the macro literature finds that the elasticity of substitution between capital and labor is greater than one. However, the vast majority of micro-level estimates shows that capital and labor are complements (elasticity less than one). Using firm- and establishment-level data from Korea, we divide capital into equipment and software, as they may interact with labor in different ways. Our estimation shows that equipment and labor are complements (elasticity 0.6), consistent with other micro-level estimates, but software and labor are substitutes (1.6), a novel finding that helps reconcile the macro vs. micro-literature elasticity discord. As the quality of software improves, labor shares fall within firms because of factor substitution and endogenously rising markups. In addition, production reallocates toward firms that use software more intensively, as they become effectively more productive. Because in the data these firms have higher markups and lower labor shares, the reallocation further raises the aggregate markup and reduces the aggregate labor share. The rise of software accounts for two-thirds of the labor share decline in Korea between 1990 and 2018. The factor substitution and the markup channels are equally important. On the other hand, the falling equipment price plays a minor role, because the factor substitution and the markup channels offset each other.</p>

Finance/CRC Seminar

Marina Niessner (Indiana University)	"TBA"
Time 12:15–14:00 CET	Abstract TBA
Location Kaiserplatz 7–9, BGSE, Seminar Room	

Job Mock Talk, IFS

Christina Brinkmann (BGSE, University of Bonn)	"Do Firms Hedge Human Capital?"
Time 14:45–16:00 CET	Abstract:
Location Juridicum, Faculty Lounge (0.036)	I study labor hoarding in relation to firms' risk management. Leveraging German administrative data on short-time work, combined with matched employer-employee data and firm financial information, I develop a firm-level measure of hoarded labor. Labor-hoarding firms exhibit larger comovements of their cash flows (CF) with demand fluctuations, illustrating the upside potential of hoarded labor acting as a capacity increase. However, labor hoarding is not linked to higher overall CF volatility; instead, it is linked to reduced unhedged foreign exchange (FX) risk as one specific contributor to CF volatility. This finding is consistent with a trade-off between more hoarded labor and less hedging of an unrelated price risk, as suggested by a stylized model I develop. The model further offers firm-specific human capital as a dimension of firm heterogeneity driving labor-hoarding choices. Using proxies for firm-specific human capital as instrumental variables for hoarded labor, I establish a causal link between labor hoarding and unhedged FX risk, facilitated by operational and financial hedging strategies. These findings offer a new perspective on firms' willingness to assume risks in the context of labor market rigidities and institutions.

Micro Theory Seminar

Nikhil Vellodi
(Paris School of Economics)

"A Theory of Self-Prospction"

Coauthor

Polina Borisova

Time

16:30–17:45 CET

Location

Juridicum, Faculty Meeting Room (U1.040)

Abstract

A present-biased decision maker (DM) faces a two-armed bandit problem whose risky arm generates random payoffs at exponentially distributed times. The DM learns about payoff arrivals through informative feedback. At the unique stationary Markov perfect equilibrium of the multi-self game, positive feedback supports greater equilibrium welfare than both negative and transparent feedback. Regardless of the form of feedback, the DM's behavior exhibits indecision, deriving from their desire to procrastinate. We relate our findings to the theory of self-prospction -- the process of imagining future goals and outcomes when seeking motivation in the present.

Thursday, October 17, 2024

Finance Brown Bag Seminar

Maximilian Günnewig/Yuliyana Mitkov
(University of Bonn)

"Optimal Banking Arrangements: Liquidity Creation without Financial Fragility"

Time

12:15 - 13:30

Location

Juridicum, Faculty Meetingroom, U 1.040

Abstract

Diamond and Rajan (2000, 2001) argue that banks create liquidity by issuing deposits to fund opaque firms that otherwise cannot obtain funding. Since banks issuing deposits are subject to runs, this resulting financial fragility is *essential* for liquidity creation. We revisit the Diamond–Rajan model of financial intermediation and show that a bank with an optimal financing structure is not subject to runs. The optimal contract rests on two simple notions. First, each bank creditor can seize a portion of the bank's assets. Second, some creditors are more senior than others: their requests to seize assets are prioritized. In contrast to Diamond and Rajan, we find that financial fragility is *detrimental* to liquidity creation.