

BONN ECON NEWS

Week 44: October 31 - November 4

Overview

Workshops and seminars

Wednesday, November 2, 2022

- BGSE Micro Workshop
- MEF Seminar (Macro/Econometrics/Finance)
- Micro Theory Seminar
- Bonn MacroHistory Seminar (joint with Finance Seminar)

Thursday, November 3, 2022

- IZA Research Seminar
- Econometrics & Statistics
- IFS Finance Brown Bag Seminar

Friday, November 4, 2022

- Bonn Macro Internal Seminar

Workshops and seminars

Wednesday, November 2, 2022

BGSE Micro Workshop

Francisco Poggi (University of Mannheim)

The Timing of Complementary Innovations

Time

12:00–13:00 CET

Location

Juridicum, Reinhard Selten Room (0.017)

Abstract

This paper studies the dynamic completion of interrelated projects. A decision maker allocates, at each point in time, a fixed unit of attention to projects that are completed in the form of breakthroughs. The agent's final payoff depends on the set of completed projects at the chosen stopping time. After completing a project, the agent might regret the attention that was already allocated to an incomplete project. I construct a partial order in the set of allocation policies that is based on regret, and show that the expected payoff of an allocation policy is increasing in such order. Moreover, I provide sufficient conditions in the distribution of completion times such that the optimal policy for complementary projects is regret-free. I apply these results to study the canonical problem of two complementary projects with uncertain but constant rate of completion and characterise the optimal attention allocation policy in that case.

MEF Seminar (Macro/Econometrics/Finance)

Vincent Sterk (University College London)

Monetary Policy during a Cost-of-Living Crisis

Coauthors

Alan Olivi, Dajana Xhani

Time

12:15–13:30 CET

Location

Juridicum, Faculty Meeting Room (U1.040)

Abstract

This paper studies the effects of monetary policy during times when sectoral supply shocks raise the cost of living, in particular for low-income households. We present a multi-sector Heterogeneous-Agents New-Keynesian model with a generalized, non-homothetic preferences, giving rise to heterogeneous consumption baskets and demand elasticities across the income and wealth distribution. In this setting, household inequality directly affects the New Keynesian Phillips Curve, in which an endogenous “markup wedge” emerges. The presence of this wedge creates a trade-off in managing the aggregate output gap versus inflation, which can be particularly strong following sector-specific shocks. In addition, such shocks can create strong distributional effects, which monetary policy may help to address. We evaluate the policy trade-offs in a quantitative analysis, applied to the United Kingdom.

Micro Theory Seminar

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| Manuel Müller-Frank (IESE) | The wisdom of the crowd and higher-order beliefs |
| <p>Coauthors Yi-Chun Chen, Mallesh M. Pai</p> <p>Time 16:30–17:45 CET</p> <p>Location Juridicum, Faculty Meeting Room (U1.040)</p> | <p>Abstract</p> <p>The classic wisdom-of-the-crowd problem asks how a principal can “aggregate” information about the unknown state of the world from agents without understanding the information structure among them. We propose a new simple procedure called Population-Mean-Based Aggregation to achieve this goal. The procedure only requires eliciting agents’ beliefs about the state, and also eliciting some agents’ expectations of the average belief in the population. We show that this procedure fully aggregates information: in an infinite population, it always infers the true state of the world. The procedure can accommodate correlations in agents’ information, misspecified beliefs, any finite number of possible states of the world, and only requires very weak assumptions on the information structure.</p> |

Bonn MacroHistory Seminar (joint with Finance Seminar)

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| Ricardo Duque Gabriel (University of Bonn) | The Credit Channel of Public Procurement |
| <p>Time 14:45–16:00 CET</p> <p>Location Juridicum, Faculty Lounge (0.036)</p> <p>Hybrid https://uni-bonn.zoom.us/j/95735374743?pwd=T3BYbWt1bVZNelkvcDV3SUcxUlkrUT09</p> | <p>Abstract</p> <p>Public procurement accounts for one third of total government spending. In this paper, I propose a new mechanism through which procurement can promote firm growth: firms use procurement contracts to increase the amount of cash flow based lending. I exploit public contests as a source of variation in the award of procurement contracts and use Portuguese administrative data over 2009-2019. I highlight a mechanism through which future fiscal stimuli impact the real economy today: procurement contracts increase firms’ net worth by increasing future cash-flows that can be used as collateral to ease borrowing constraints and boost corporate liquidity. Winning an additional €1 from a procurement contract increases firm credit by €0.05 and lowers interest rates. Consequently, enhanced credit access translates into higher investment and employment with the effects being more pronounced and persistent for smaller and financially constrained firms. At the aggregate level, I find that an additional €1 in public procurement increases regional output by €2.4 with the credit channel accounting for 10% of it. These results suggest that procurement spending can impact economic growth at both the micro- and macro-level, in part due to its credit channel.</p> |

IZA Research Seminar

Michael Siegenthaler (ETH Zurich)

The Labor Market Effects of Restricting Refugees' Employment Opportunities

Coauthors

Achim Ahrens, Andreas Beerli, Dominik Hangartner, Selina Kurer

Time

14:00–15:15 CET

Location

IZA, Schaumburg-Lippe-Straße 9,
Conference room 9

Hybrid

<https://iza-org.zoom.us/j/87487213161>

Abstract

In many countries, newly arrived immigrants are not allowed to work for all firms in the labor market. Sometimes, they are not allowed to work at all. We argue that such restrictions on employment opportunities help explain why immigrants have lower employment rates and wages than similar native citizens. This paper explores this hypothesis in the context of refugee integration in Switzerland. We leverage the exogenous geographic assignment of refugees upon arrival, substantial over-time variation in labor market restrictions in Swiss cantons 1999-2016, and linked asylum process and employer-employee data. We document large negative employment and earnings effects of banning refugees from working in the first months after arrival, of prioritizing residents over refugees, and of restricting refugees' labor markets geographically and sectorally. Moving from the least to the most restrictive policy mix reduces refugees' average employment rate in the first five years after arrival from 23% to 16%. Consistent with an impact of workers' outside options on wages, removing 10% of refugees' potential jobs also lowers their hourly wage by 2.8% and increases the wage gap relative to similar host-country citizens in similar jobs by 2.2%. Finally, we show that the policies leave scars: priority to residents and geographic and sector restrictions reduce refugees' earnings for up to three years after they ceased to apply. We find no evidence that restrictive policies spur refugee emigration or improve labor market outcomes of competing EU immigrants. Together, these results suggest that labor restrictions burden both refugees and host communities with significant costs.

Econometrics & Statistics

Dalia Ghanem (UC Davis)

Selection and parallel trends

Coauthors

Pedro H. C. Sant'Anna, Kaspar Wüthrich

Time

16:00 - 17:00 CET

Location

Faculty room, Dean's office

Abstract

We study the connection between selection into treatment and the parallel trends assumptions underlying difference-in-differences (DiD) designs. We start by deriving necessary and sufficient conditions for the (unconditional) parallel trends assumption. These conditions demonstrate that parallel trends cannot hold absent restrictions on the selection mechanism and/or the distribution of (time-varying) unobservable determinants of the outcome. We then consider different restrictions on the selection mechanism and provide a menu of interpretable primitive sufficient conditions, which constitute a formal framework for justifying DiD in practice. We derive results for both separable and nonseparable outcome models and show that this distinction has implications for the role of covariates in making parallel trends assumptions more plausible. Building on our analysis of nonseparable models, we connect DiD to the literature on nonparametric identification in panel models.

IFS Finance Brown Bag Seminar

Michele Andreolli (London Business School)

Monetary Policy and the Maturity Structure of Public Debt

Time

12:15–13:30 CET

Location

Juridicum, Faculty Lounge (0.036)

Hybrid

<https://uni-bonn.zoom.us/j/95735374743?pwd=T3BYbWt1bVZNelkvcDV3SUcxUlkrUT09>

Abstract

This paper studies the mediating impact of the maturity of public debt in the transmission of monetary policy shocks to economic activity. A longer debt maturity attenuates greatly the effect of monetary policy: going from the average historical duration of US debt to very short term debt doubles the impact of a rise of the policy rate on output. A similar result holds in UK data. Using data on corporate debt, spreads, investment, and fiscal variables, I show that these effects can be traced back to a quantitatively important financing channel. A model featuring an interaction between an empirically estimated primary market friction and a standard financial accelerator is able to account for these facts.

Friday, November 4, 2022

Bonn Macro Internal Seminar

Matthias Gnewuch (University of Bonn)

Market Power and Macroeconomic Fluctuations

Time

16:30–17:30 CET

Location

Kaiserplatz 7–9, Room 4.006

Abstract

TBA