DEPARTMENT OF ECONOMICS BONN

BONN ECON NEWS

Week 47: November 21–25, 2022

Overview

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People

New at the department

Botond Kőszegi
Position: Professor, Institute for Applied Microeconomics
Research Interests: Behavioral Economics

Workshops and seminars

Tuesday, November 22, 2022

BGSE/briq Applied Microeconomics Workshop (CRC TR 224 Seminar)

Julia Mink
(University of Bonn)

Putting a price tag on air pollution: the short-term consequences of air pollution on health care use and costs in France

Time
12:15–13:30 CET
(2 hours earlier than usual)

Location
briq, Schaumburg-Lippe-Straße 9

Hybrid
Zoom link announced via the Applied Micro mailing list

Abstract
I estimate the causal effects of air pollution on healthcare costs in France by combining administrative data on healthcare reimbursements with reanalysis data on air pollution concentrations and weather conditions. I adopt an instrumental-variable approach where I exploit daily postcode-level variation in nitrogen dioxide, ground-level ozone and particulate matter concentrations induced by variation in wind speed. I explore effect heterogeneity by patient and location characteristics and by medical speciality. This study presents evidence for substantial healthcare costs caused by exposure to pollution levels that are predominantly situated below current European legal limits. The effects are several orders of magnitude larger than those estimated in the previous literature, suggesting that the healthcare costs of air pollution have been severely underestimated. I find significant heterogeneity of effects across location and patient characteristics, indicating that air pollution reduction policies have the potential to reduce health inequalities.

Econometrics & Stastistics Seminar

Alexander Meister
(University of Rostock)

Rate-optimal nonparametric estimation for random coefficient regression models

Coauthor(s)
Hajo Holzmann (University Marburg)

Time
16:00 - 17:00 CET

Location
Faculty Lounge (Room 0.036), Juridicum

Abstract
Random coefficient regression models are a popular tool for analyzing unobserved heterogeneity, and have seen renewed interest in the recent econometric literature. In this paper we obtain the optimal pointwise convergence rate for estimating the density in the linear random coefficient model over H\"older smoothness classes, and in particular show how the tail behavior of the design density impacts this rate. In contrast to previous suggestions, the estimator that we propose and that achieves the optimal convergence rate does not require dividing by a nonparametric density estimate. The optimal choice of the tuning parameters in the estimator depends on the tail parameter of the design density and on the smoothness level of the H\"older class, and we also study adaptive estimation with respect to both parameters.

Wednesday, November 23, 2022

BGSE Micro Workshop

Ole Rücker **(BGSE)**	**Competition in News Media (brown bag)**
Time 12:00–12:40 CET Location Juridicum, Reinhard Selten Room (0.017)	Abstract I investigate competition between news media firms under the assumptions that consumers get their information about political topics from these firms and that consumers prefer news that validates their views. I show that for topics where the consumers have sufficiently heterogeneous opinions, news media firms may withhold information which can lead to a polarization of political parties. In particular, the median voter theorem does not necessarily apply.

MEF Seminar (Macro/Econometrics/Finance)

David Domeij **(Stockholm School of Economics)**	**Price Posting and Sticky Prices: A Monetary Macro Model**
Time 12:15–13:30 CET Location Juridicum, Faculty Meeting Room (U1.040)	Abstract We introduce price posting and information frictions into a canonical monetary macro model. Despite costless price adjustment, insufficient search incentives prevent market clearing. The model has an interval of steady-state price levels. Under successful inflation-targeting, the equilibrium price level is selected by past shocks and policies. If a negative supply shock makes the current price level unsustainable, both prices and mark-ups immediately rise. Absent expansionary monetary or fiscal policy, the higher mark-up persists even if the shock subsides.

Finance/CRC/ECONtribute Seminar

Sebastian Ebert **(Universität Heidelberg)**	**Π-CAPM: The Classical CAPM with Probability Weighting and Skewed Assets**
Coauthors Joost Driessen, Joren Koëter Time 14:45–16:00 CET Location Juridicum, Faculty Lounge (0.036) Hybrid https://uni-bonn.zoom.us/j/95735374743?pwd=T3BYbWt1bVZNelkvcDV3SUcxUlkrUT09	Abstract We propose a new asset pricing model which generalizes the mean–variance framework by including probability weighting, specifically the overweighting of rare, high-impact events. Our model—the Π-CAPM—allows for disentangling the price impact of volatility and skewness. We show that the price impact of volatility is skewness-dependent, negative for left-skewed assets but potentially positive for right-skewed assets. Further, probability weighting translates into an exaggerated co-movement of assets and can explain the empirical correlation premium. Finally, we empirically verify that option-implied variance premiums for individual stocks depend on the stock's skewness, in the way predicted by the Π-CAPM.

Micro Theory Seminar

Philipp Strack **(Yale)**	**Learning in Repeated Interactions on Networks**
Coauthor(s) Wanying Huang, Omer Tamuz Time 16:30–17:45 CET Location Juridicum, Faculty Meeting Room (U1.040)	Abstract We study how long-lived, rational, exponentially discounting agents learn in a social network. In every period, each agent observes the past actions of his neighbors, receives a private signal, and chooses an action with the objective of matching the state. Since agents behave strategically, and since their actions depend on higher order beliefs, it is difficult to characterize equilibrium behavior. Nevertheless, we show that regardless of the size and shape of the network, and the patience of the agents, the speed of learning in any equilibrium is bounded from above by a constant that only depends on the private signal distribution.

Thursday, November 24, 2022

Econometrics & Statistics

Philipp Ketz **(Paris School of Economics)**	**Allowing for weak identification when testing GARCH-X type models**
Time 15:15–16:15 CET Location Juridicum, Faculty Lounge (0.036)	Abstract In this paper, we use the results in Andrews and Cheng (2012), extended to allow for parameters to be near or at the boundary of the parameter space, to derive the asymptotic distributions of the two test statistics that are used in the two-step (testing) procedure proposed by Pedersen and Rahbek (2019). The latter aims at testing the null hypothesis that a GARCH-X type model, with exogenous covariates (X), reduces to a standard GARCH type model, while allowing the “GARCH parameter” to be unidentified. We then provide a characterization result for the asymptotic size of any test for testing this null hypothesis before numerically establishing a lower bound on the asymptotic size of the two-step procedure at the 5% nominal level. This lower bound exceeds the nominal level, revealing that the two-step procedure does not control asymptotic size. In a simulation study, we show that this finding is relevant for finite samples, in that the two-step procedure can suffer from overrejection in finite samples. We also propose a new test that, by construction, controls asymptotic size and is found to be more powerful than the two-step procedure when the “ARCH parameter” is “very small” (in which case the two-step procedure underrejects).

Bonn MacroHistory Seminar

Lu Liu **(The Wharton School, University of Pennsylvania)**	**The Demand for Long-Term Mortgage Contracts and the Role of Collateral**
Time 16:00–17:00 CET Online https://uni-bonn.zoom.us/j/69821428114?pwd=Y3IvTlhhTHR3Si93TkhwalZHbnBBdz09	Abstract Long-term fixed-rate mortgage contracts protect households against interest rate risk, yet most countries have relatively short fixation lengths, up to five years. Using administrative data from the UK, this paper shows that the choice of fixation length tracks the life-cycle dimension of credit risk in the mortgage market: the loan-to-value (LTV) ratio declines and collateral coverage improves over the life of the loan due to principal repayment and house price appreciation. High-LTV borrowers face a trade-off between their demand to insure against repricing, and obtaining lower credit spreads over time using shorter-term contracts. To quantify demand for longer-term contracts, I develop a life-cycle model of optimal mortgage fixation choice. With baseline house price growth and interest rate risk, high-LTV households prefer shorter-term contracts, in line with the data.

Friday, November 25, 2022

Bonn Macro Internal Seminar

Lennard Schlattmann **(University of Bonn)**	**Distributional Consequences of Climate Policies**
Time 16:30–17:30 CET Location Kaiserplatz 7–9, Room 4.006 Online/Hybrid Zoom-Link	Abstract TBA

Applied Micro Coffee

Moritz Mendel **(University of Bonn)**	**Nonlinear schooling careers and the effect of income subsidies on students at the margin**
Time 11:30–12:15 CET Location briq, Schaumburg-Lippe-Straße 9 Online/Hybrid https://uni-bonn.zoom.us/j/62101658384?pwd=ZURLelAxOTBhT0xhSS9abndvM3Vadz09	Abstract TBA