BONN ECON NEWS

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Overview

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Workshops and seminars

Tuesday, January 24, 2023

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

Marie Claire Villeval **(University of Lyon)**	**The power of leadership in changing social norms**
Coauthors Fabio Galeotti and Jona Krutaj Time 14:15–15:30 CET Location briq, Schaumburg-Lippe-Straße 9 Hybrid Zoom link announced via the Applied Micro mailing list	Abstract We investigate whether a leader can trigger or impede the change of a social norm in the society. We focus on the dynamic setting introduced by Andreoni et al. (2021) where a norm that was beneficial for the society becomes detrimental over time. In a laboratory experiment we introduce a leader and vary whether the leader's incentives are aligned or not with the incentives of the rest of the society. Whereas norms are sticky in the absence of a leader, leading to a conformity trap in conservative societies, we find that the leader always manages to change the social norm in the society regardless of the strategy used by the leader (bottom-up or top-down), the type of the leader, or the type of society (advanced vs. conservative).

ECONtribute LawEcon Workshop

Sander Onderstal **(University of Amsterdam)**	**Predatory Pricing in the Presence of Network Effects: Evidence from the Lab**
Time 18:00–19:15 CET Location Juridicum, Reinhard Selten Room (0.017)	Abstract In this paper we study predatory pricing, market tipping and collusion in laboratory markets with network effects. In a two-player repeated Hotelling game we compare three experimental treatments: no network effects, weak network effects and strong network effects. The experimental results show that predatory pricing is more likely in markets with weak or strong network effects, compared to markets without network effects. In markets with strong network effects there is more market tipping than in markets without or with weak network effects. In markets with network effects, the increase in product value due to network effects is to a large extent passed on to consumers through the increased number of predatory prices, which suggests that policies aimed at preventing predatory pricing may be counterproductive. There is no difference in the tendency to collude between treatments.

Wednesday, January 25, 2023

BGSE Micro Workshop

Shaily Bahuguna (BGSE)	**Explaining Sniping via Reference-Dependent Utility in Online Auctions**
Time 12:00–13:00 CET Location Juridicum, Reinhard Selten Room (0.017)	Abstract Sniping/last-minute bidding is an unusual bidding technique that has been extensively studied in empirical studies of eBay auctions, where bidders compete in a modified sealed-bid, second-price auction format and depart from the predictions of standard economic theory. Using Kőszegi and Rabin's (2006) theory of reference-dependent preferences, I build a game theoretic model that explains not only late bidding but also overbidding in a private-value eBay auction setting involving a sophisticated, rational bidder and a naive, loss-averse bidder. The latter suffers from pseudo-endowment effect which causes willingness to pay (WTP) for the item to increase while the auction runs. By reserving her bid for late in the game, a rational bidder can prevent intermediate information revelation about relative valuation structure to her opponent. This discourages re-bidding for the loss-averse bidder, thereby preventing higher prices and justifying sniping.

Finance/CRC/ECONtribute Seminar

Jonathan Payne (Princeton University)	**Platforms, Tokens, and Interoperability**
Coauthor Markus Brunnermeier Time 14:45–16:00 CET Location Juridicum, Faculty Lounge (0.036) Hybrid https://uni-bonn.zoom.us/j/95735374743?pwd=T3BYbWt1bVZNelkvcDV3SUcxUlkrUT09	Abstract This paper studies a supply chain with an incumbent profit maximizing platform that provides both a matching technology and a currency ledger. Bundling these technologies allows the platform to enforce contracts by (i) threatening to seize assets if the financial sector does not report defaulters and (ii) excluding defaulters from financial and trading services. However, by controlling the interoperability to other platforms' ledgers, an incumbent platform can "lock-in" customers and by deterring new platform entry increase its market power. Regulation needs to balance preserving synergies in contract enforcement while encouraging new platform entry.

Micro Theory Seminar

Nathan Hancart (UCL)	Designing the Optimal Menu of Tests
Time 16:30–17:45 CET Location Juridicum, Faculty Meeting Room (U1.040)	Abstract A decision-maker must accept or reject a privately informed agent. The agent always wants to be accepted, while the decision-maker wants to accept only a subset of types. The decision-maker has access to a set of feasible tests and, prior to making a decision, requires the agent to choose a test from a menu, which is a subset of the feasible tests. By offering a menu, the decision-maker can use the agent's choice as an additional source of information. I characterise the decision-maker's optimal menu for arbitrary type structures and feasible tests. I then apply this characterisation to various environments. When the domain of feasible tests contains a most informative test, I characterise when only the dominant test is offered and when a dominated test is part of the optimal menu. I also characterise the optimal menu when types are multidimensional or when tests vary in their difficulty.

Thursday, January 26, 2023

Econometrics & Statistics

Tatyana Krivobokova (University of Vienna)	Iterative regularisation methods for ill-posed generalised linear models
Time 15:15–16:15 CET Location Juridicum, Faculty Lounge (0.036)	Abstract We study the problem of regularised maximum-likelihood optimisation in ill-posed generalised linear models with covariates that include subsets that are relevant and that are irrelevant for the response. It is assumed that the source of ill-posedness is a joint low dimensionality of the response and a subset of the relevant covariates in the sense of a latent factor generalised linear model (GLM). In particular, we propose a novel iteratively-reweighted-partial-least-squares (IRPLS) algorithm and show that it is better than any other projection or penalisation based regularisation algorithm. Under regularity assumptions on the latent factor GLM we show that the convergence rate of the IRPLS estimator with high probability is the same as that of the maximum likelihood estimator in our latent factor GLM, which is an oracle achieving an optimal parametric rate. Our findings are confirmed by numerical studies.

Bonn MacroHistory Seminar

Chi Hyun Kim **(University of Bonn)**	**Unemployment risk, portfolio choice, and the racial wealth gap**
Coauthors Ellora Derenoncourt, Moritz Kuhn, and Moritz Schularick Time 16:00–17:00 CET Online https://uni-bonn.zoom.us/j/69821428114?pwd=Y3IvTlhhTHR3Si93TkhwalZHbnBBdz09	Abstract Black Americans are exposed to strong cyclical unemployment risk that correlates with stock market returns. Under high exposure to cyclical unemployment risk, it is optimal for individuals to invest less in risky assets and minimize overall risk exposure over their life cycle. Our study shows that cyclical unemployment risk explains a substantial amount of the equity gap across Black and white Americans during 1980-2020: 20% of the stock market participation gap and 52% of the gap in Black and white equity shares in portfolios. Given continuously rising equity returns, such frictions in the labor market will further perpetuate racial wealth inequality in the US.

Friday, January 27, 2023

Bonn Macro Internal Seminar

Gero Stiepelmann **(University of Bonn)**	**Optimal Short-Time Work Policy in and outside Recessions**
Time 16:30–17:30 CET Location Kaiserplatz 7–9, Room 4.006	Abstract This paper analyses optimal short-time work (STW) policy in an economy with a given unemployment insurance (UI) system and focuses on the moral hazard effects of both instruments. It develops a search and matching model of the labor market with a flexible intensive margin. In this environment, STW works as a wage subsidy to the least productive firms. The paper derives closed-form expressions for the optimal eligibility condition and STW benefits. In recessions, the benefits should get more generous to offset the growing moral hazard effects of the UI system, while the eligibility condition should get stricter to control the moral hazard and windfall effects of STW. Optimally applying STW reduces separations and the costs of reallocating workers, stabilizes employment and consumption, and is self-financing as it reduces the fiscal costs of the UI system. STW's growing moral hazard problems in recessions eliminate its often discussed role as automatic stabilizer and emphasize the need to adjust the instrument over the business cycle.