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Workshops and Seminars January 27 – 31, 2020

Tuesday, Jan 28, 2020

Finance and Insurance / ECONtribute Seminar
12:15, Juridicum, Faculty Lounge, Room 0.036

Steven Ongena, Univ. of Zürich
"Taxing Bank Leverage"

Applied Micro / CRC TR 224 Workshop, in co-operation with briq
16:00, briq, Schaumburg-Lippe-Straße 9

Georg D. Granic, Univ. of Antwerpen
"Incentives in Surveys"

Wednesday, Jan 29, 2020

Micro Theory / CRC TR 224 Seminar (Lunch Talk)
12:00, Juridicum, Room 0.017

Vladimir Novak, CERGE-EI
"The Status Quo and Beliefs Polarization of Inattentive Agents: Theory and Experiment"

Macro/Econometrics/Finance Seminar
12:00, Juridicum, "Fakultätszimmer"

Benjamin Larin, Univ of St. Gallen
"Bubble-Driven Business Cycles"

Finance and Insurance / CRC TR 224 Seminar

Steven Ongena, Univ. of Zürich
"Taxing Bank Leverage"

Abstract

Regulators can monitor bank leverage either by increasing capital requirements or taxing debt. We show in a simple model that, while increasing capital requirements leads banks to shift their assets away from loans, taxing debt makes them refocus their activity on lending. We test empirically these predictions by exploiting the staggered introduction of tax reforms that increased the cost of leverage in the Euro-area from 2005 to 2012. In addition to decreasing leverage, affected banks shift the composition of their assets towards loans away from securities and decrease total risk. Our results suggest that taxes can be a complementary tool to capital requirements that maintains credit supply.

Applied Micro / CRC TR 224 Workshop

Georg D. Granic, Univ. of Antwerpen
"Incentives in Surveys"
(with Aurélien Baillon, Han Bleichrod)t

Abstract

Surveys typically use hypothetical questions to measure subjective and unverifiable concepts like happiness and quality of life. We test whether this is problematic using a large survey experiment on health and subjective well-being. We use Prelec's Bayesian truth serum to incentivize the experiment and defaults to introduce biases in responses. Without defaults, the data quality was good and incentives had no impact. With defaults, incentives reduced biases in the subjective well-being questions by inducing participants to spend more effort. Incentives had no impact on the health questions regardless of whether defaults were used.

Micro Theory / CRC TR 224 Seminar

Vladimir Novak, CERGE-EI
"The Status Quo and Beliefs Polarization of Inattentive Agents: Theory and Experiment"
(with Andrei Matveenko, Silvio Ravaioli)

Abstract

Many real-world situations involve a choice between the implementation of a new policy with multiple possible outcomes and the preservation of the status quo. We analyze what information an inattentive agent acquires insuch a binary choice problem. Specifically, we model the agent to be rationally inattentive: any information about the new policy can be acquired before the choice is made, but doing so is costly. We show how the choice of information, and thus the belief formation, depends on the agent-specific value of the status quo. Importantly, beliefs can then, in expectations, update away from the realized truth. This is due to endogenous information acquisition because the agent chooses only to learn whether the uncertain payoff is higher or lower than the payoff of the status quo. Consequently, two agents with the same prior beliefs about a new policy might become polarized if they differ in the valuations of the status quo. We show that lower cost of information leads to more severe polarization. We conduct a novel experiment to test and confirm our predicted information acquisition strategy and its dependence on the value of the status quo. In our setting with multiple states, we also replicate the well-known preference for certainty, and verify the occurrence of belief polarization.

Macro/Econometrics/Finance Seminar

Benjamin Larin, Univ of St. Gallen
"Bubble-Driven Business Cycles"

Abstract
Pronounced and persistent fluctuations in aggregate wealth and real activity – boom-bust episodes – have become more prevalent in recent history. In this paper I provide a quantitative explanation for such boom-bust episodes that is based on rational bubbles. To this end, I set up an overlapping generations model with many generations, financial frictions, aggregate uncertainty and rational bubbles. The calibrated model generates empirically plausible bubble-driven business cycles. I decompose the macroeconomic effect of rational bubbles into several different channels and use the calibrated model to asses their relative strength. The decomposition shows that one particular channel that operates through the creation of bubbles is necessary for plausible bubbles to exist. I then apply the model to replicate the observed series of real output and aggregate wealth during the two recent US boom-bust episodes between 1990 and 2010. By decomposing the model-implied series for aggregate wealth I show that almost all of the fluctuations in aggregate wealth can be explained as a result of stochastic rational bubbles.

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WEDNESDAY, APRIL 01, 2020, 12:00
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