VERANSTALTUNGEN DIESER WOCHE / ACTIVITIES OF THIS WEEK

**Montag, 17.12.2012**

Special Lecture
16.15 Uhr, Mathematik Zentrum, Endenicher Alle 60, Lipschitz-Saal (Raum 1.016)

Matthias Beiglböck, Universität Wien
“Optimal Transport, Model Independence, and Martingale Inequalities”

**Dienstag, 18.12.2012**

Special Lecture/Micro
11.00 Uhr, Juridicum, Fakultätszimmer

Matthias Messner, Universität Bocconi
“The Design of Ambiguous Mechanisms”

LawEcon Workshop
18.00 Uhr, Juridicum, Raum 055

Uwe Sunde, LMU München
“Violence During Democratization and the Quality of Democracy”

Finance and Insurance Seminar
18.00 Uhr, Juridicum, Hörsaal G

Robert Hauswald, American University
“The Real Effect of Foreign Bank”

**Mittwoch, 19.12.2012**

Micro Workshop BGSE
12.00 Uhr, Juridicum, Raum 055

Timofyi Mylovanov, PennState University
“Mechanism Design by An Informed Principal: The Quasilinear Private Values Case”

Macro/Econometrics/Finance Workshop
14.15 Uhr, BGSE, Kaiserplatz 7-9, 4. Stock

Johannes Stroebel, Chicago Booth University
“The impact of asymmetric information about collateral values in mortgage lending”

Micro Theory Seminar
16.30 Uhr, Juridicum, Fakultätszimmer

Alessandro Pavan, Northwestern University
“Many-to-many matching design”

**Freitag, 21.12.2012**

Applied Micro Workshop
12.00 Uhr, Juridicum, Raum 055

Jeff Campbell, Federal Reserve Bank of Chicago
“The Economics of Radiator Springs: Industry Dynamics, Sunk Costs, and Spatial Demand Shifts”

VERANSTALTUNGEN DER ERSTEN JANUARWOCHE FOLGEN AUF SEITE 5
SPECIAL LECTURE/MICRO

Matthias Messner, Università Bocconi

“The Design of Ambiguous Mechanisms”

Abstract

This paper considers the optimal mechanism design problem of an expected revenue maximizing principal who wants to sell a single unit of a good to an agent who is ambiguity averse in the sense of Gilboa and Schmeidler (1989). We show that the optimal static mechanism is an ambiguous mechanism. An ambiguous mechanism specifies a message space and a set of outcome functions. After showing that (a version of) the Revelation Principle holds in our environment, we give an exact characterization of the (smallest) optimal ambiguous mechanism. If the type set is composed of N (finite) types, then the (smallest) optimal ambiguous mechanism contains N-1 outcome functions. We show that the share of the surplus that the designer can extract from the agent increases as the type set becomes larger and the probability of each single type decreases. In the limiting case where the agent's type is drawn from a non-atomic distribution on an interval, the optimal ambiguous mechanism extracts all the rent from the agent.

LAWECON WORKSHOP

Uwe Sunde, LMU München

“Violence During Democratization and the Quality of Democracy”

Abstract

This paper investigates the impact of violent civil conflicts during the process of democratization on the quality of emerging democracies in terms of civil liberties. We propose a theory of endogenous regime transition in which violent conflict can arise in equilibrium. Peaceful transitions are characterized by a social contract which guarantees political representation (voice) to all groups and leads to better protection of civil liberties on average than violent transitions. Empirical evidence from the third wave of democratization based on a difference-in-difference methodology supports the theoretical predictions. The findings suggest that violent conflicts during the democratic transition have persistent negative effects on the quality of the emerging democracies.

FINANCE AND INSURANCE SEMINAR

Robert Hauswald, American University

“The Real Effect of Foreign Bank”
Abstract

Although foreign banks can act as catalysts for financial and economic development their role remains controversial because they might simply displace local lending, thereby tightening firms’ overall access to credit. We study the economic channels through which local lending by foreign banks affects real economic activity in a large cross-section of developing and advanced countries, whose industrial sectors differ in their external financing needs. We find that such foreign domestic lending alleviates financial constraints and increases real growth net of the competitive reaction of local lenders, which is particularly valuable during local banking crises. In addition to providing stable access to credit, foreign banks also mitigate the consequence of informational and contract-enforcement obstacles to lending. Using their often superior lending expertise, they act as substitutes for insufficient legal and informational infrastructure, especially in developing credit markets, whose borrowers often lack access to alternative sources of finance.

MICRO WORKSHOP BGSE

Timofyi Mylovanov, PennState University

“Mechanism Design by An Informed Principal: The Quasilinear Private Values Case”

Abstract

We show that, in environments with independent private values and transferable utility, a privately informed principal can solve her mechanism selection problem by implementing an allocation that is ex-ante optimal for her. No type of the principal can gain from proposing an alternative mechanism that is incentive-feasible with any belief that puts probability 0 on types that would strictly lose from proposing the alternative. We show that the solution exists in essentially any environment with finite type spaces, and in any linear-utility environment with continuous type spaces, allowing for arbitrary disagreement outcomes. As an application, we consider a bilateral exchange environment (Myerson and Satterthwaite, 1983) in which the principal is one of the traders. If the property rights over the good are dispersed among the traders, then the principal will implement an allocation in which she is almost surely better off than if her type is commonly known. The optimal mechanism is a combination of a participation fee, a buyout option for the principal, and a resale stage with posted prices and, hence, is a generalization of the posted price that would optimal if the principal’s valuation were commonly known.

MACRO/ECONOMETRICS/FINANCE WORKSHOP

Johannes Stroebel, Chicago Booth University

“The impact of asymmetric information about collateral values in mortgage lending”

Abstract

I empirically analyze the sources and magnitude of asymmetric information between competing lenders in residential mortgage lending. Large property developers often cooperate with
vertically integrated mortgage lenders to provide financing offers to buyers of their newly constructed homes. I show that these integrated lenders have superior information about the construction quality of individual homes and exploit this information to lend against higher quality collateral. To compensate for the resulting adverse selection non-integrated lenders charge higher interest rates when competing against an integrated lender.

MICRO THEORY SEMINAR
Alessandro Pavan, Northwestern University
“Many-to-many matching design”

Abstract
We study (mediated) many-to-many matching in markets where agents have vertically and/or horizontally differentiated preferences for interacting with other agents. We characterize the efficient and the profit-maximizing matching rules and deliver testable predictions relating the structure of the matching sets and of the sustaining prices to the joint distribution of the agents’ preferences and matching quality. The analysis has implications for the design of business-to-business platforms, advertising platforms, Cable TV menus, and credit card plans.

APPLIED MICRO WORKSHOP
Jeff Campbell, Federal Reserve Bank of Chicago
(joint work with Thomas N Hubbard)

“Economics of Radiator Springs: Industry Dynamics, Sunk Costs, and Spatial Demand Shifts”

Abstract
We measure industry evolution following permanent changes in the level and location of demand for gasoline in hundreds of counties during the time surrounding the completion of Interstate Highway segments. We find that the timing and margin of adjustment depends on whether the new highway is located close to or far from the old route. When the new highway is close to the old one, there is no evidence that the number of stations changes around the time it opens. However, average station size increases by 6% before the highway is completed. When the new highway is far from the old one (say, 5-10 miles), the number of stations increases by 8% and average station size remains unchanged. Unlike the station size adjustment when the new highway is close, the entire increase takes place after construction. These results provide evidence on how this industry, which is characterized by high location-specific sunk costs, adjusts to demand changes. Our results are consistent with theories in which firms have strategic investment incentives to preempt competitors.
VERANSTALTUNGEN DIESER WOCHE / ACTIVITIES OF THIS WEEK

**Mittwoch, 09.01.2013**
Micro Workshop BGSE  
12.00 Uhr, Juridicum, Raum 055  
*Cedric Wasser*, HU Berlin  
“Bilateral k+1-price Auctions with Asymmetric Shares and Values”

Micro Theory Seminar  
16.30 Uhr, Juridicum, Fakultätszimmer  
*Ricardo Alonso*, University of Southern California  
“Persuading Skeptics and Reaffirming Believers”

**Donnerstag, 10.01.2013**
Finance and Insurance Seminar  
12.00 Uhr, Juridicum, Sitzungszimmer der Fakultät  
*Eva Schliephake*, Universität Magdeburg  
“Capital Requirement Regulation and Government Debt”

IZA Brown Bag Seminar  
12.00 Uhr, IZA, Schaumburg-Lippe-Str. 9  
*Linguère Mously Mbaye*, IZA  
“Migrants, remittances and credit markets: Evidence from rural Senegal”

Macro/Econometrics/Finance Seminar  
16.15 Uhr, Juridicum, Raum 055  
*Pontus Rendahl*, University of Cambridge  
“Fiscal Policy in an Unemployment Crisis”

**Freitag, 11.01.2013**
Applied Micro Workshop  
12.00 Uhr, Juridicum, Raum 055  
*Simon Jäger*, Harvard University  
“The Return to Higher Education: Evidence from University Openings in Germany”
MICRO WORKSHOP BGSE

Cedric Wasser, HU Berlin

“Bilateral k+1-price Auctions with Asymmetric Shares and Values”

Abstract

We study a sealed-bid auction between two bidders with asymmetric independent private values. The two bidders own asymmetric shares in a partnership. The higher bidder buys the lower bidder's shares at a per-unit price that is a convex combination of the two bids. The weight of the lower bid is denoted by k in [0,1]. We partially characterize equilibrium strategies and show that they are closely related to equilibrium strategies of two well-studied mechanisms: the double auction between a buyer and a seller and the first-price auction between two buyers (or two sellers). Combining results from those two branches of the literature enables us to prove equilibrium existence. Moreover, we find that there is a continuum of equilibria if k in (0,1) whereas the equilibrium is unique if k in {0,1}. Our approach also suggests a procedure for numerical simulations.

MICRO THEORY SEMINAR

Ricardo Alonso, University of Southern California

(joint work with Odilon Camara)

“Persuading Skeptics and Reaffirming Believers”

Abstract

A sender can influence the behavior of receivers by controlling the flow of public information. In a world where rational individuals may hold different priors, we first provide necessary and sufficient conditions for the existence of public signals that increase the extent of disagreement between individuals. We then provide necessary and sufficient conditions for a sender to benefit from controlling the flow of public information and characterize her optimal choice of a signal. We contrast our findings to the case when individuals hold a common prior, and characterize how the extent of prior disagreement influences information disclosure. We then apply our findings to the study of persuasion in litigation, contracting with agents, and elections.

FINANCE AND INSURANCE SEMINAR

Eva Schliephake, Universität Magdeburg

“Capital Requirement Regulation and Government Debt”

Abstract

Microprudential capital requirements are designed to reduce excessive risk taking of banks. By requiring higher equity funding for risky assets, indeed, more banks hold safe assets. This paper argues that a self interested government that simultaneously regulates the banking sector and
borrows from it, can use risk weighted capital requirements to increase its budget. Thereby, the risk weights for risky assets would be set too high compared to the risk weight necessary to discipline banks. This could have a negative impact on welfare. First, the allocation of funding to the loan asset market is reduced, which could have a negative impact on long term growth. Second, the government can be tempted to increase its debt level due to the easy funding conditions, on the cost of future generations. Higher government debt also makes the government more prone to a sovereign debt crises. However, a short term focused government regulator might be tempted to overlook such a future risk creating and increasing systemic risk in the banking sector.

IZA BROWN BAG SEMINAR

Linguère Mously Mbaye, IZA

“Migrants, remittances and credit markets: Evidence from rural Senegal”

Abstract

The aim of this paper is to show the impact of migrants and remittances on the rural credit markets in Senegal. The paper uses data provided by a household survey carried out in eight regions of Senegal. Two findings emerge. First, controlling for endogeneity, we find that having a migrant in a household increases the likelihood to get a loan. This positive effect of migrants remains valid whether the loan is used for investing in professional activities or for consumption reasons. This confirms the role of migrant as an "element of trust" in the credit contract. Second, controlling for selection and endogeneity, we find that there is a negative relationship between remittances and the loan size both for formal and informal loans. This finding supports the view that remittances can help to release the credit constraint and increase the level of investment in receiving countries.

MACRO/ECONOMETRICS/FINANCE SEMINAR

Pontus Rendahl, University of Cambridge

“Fiscal Policy in an Unemployment Crisis”

Abstract

This paper studies a model of equilibrium unemployment in which the efficacy of fiscal policy increases markedly in times of crises. A sudden rise in pessimism leads households to save rather than to spend, causing a fall in output and rising unemployment. But as a persistent rise in unemployment fuels pessimism, the economy is set on a downward spiral in which thrift reinforces thrift. The government can put this process to an end. An expansion in public spending bolsters demand and lowers the unemployment rate both in the present and in the future. Pessimism is replaced by optimism and the vicious cycle is turned into a virtuous. The marginal impact of government spending on output is negative during normal times. But in a severe recession the fiscal multiplier rises to about three, and expansionary fiscal policy is unambiguously Pareto improving.
APPLIED MICRO WORKSHOP

Simon Jäger, Harvard University

“The Return to Higher Education: Evidence from University Openings in Germany”

Abstract

What are the economic returns to higher education? Despite decades of research, the answer to this question remains debated because of a lack of compelling data and research designs. Here, I use the openings of new universities in Germany coupled with administrative data on earnings to provide new evidence on this question. I document that the opening of a new university in an individual's district increases the likelihood of obtaining a university degree. I conduct several tests to verify the robustness of this finding. I use this variation to instrument the effect of education on earnings later in life - measured using social security data - and estimate large and positive returns. The results of my study document the economic returns to an expansion of the higher education system and suggest that university education has high labor market returns even in an environment featuring a high-quality apprenticeship training system.