

BONN ECON NEWS

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No. 511

Workshops and Seminars July 17 - 21, 2017

Tuesday, July 18, 2017

Applied Micro Workshop I

9:30, briq, Schaumburg-Lippe-Straße 5 - 9

Applied Micro Workshop II

11:15, briq, Schaumburg-Lippe-Straße 5 - 9

Finance and Insurance Seminar

12:15, Juridicum, Faculty Lounge, Room 0.036

Applied Micro Workshop III

14:00, briq, Schaumburg-Lippe-Straße 5 - 9

Applied Micro Workshop IV

15:45, briq, Schaumburg-Lippe-Straße 5 - 9

Econometrics and Statistics Seminar

16:00, Juridicum, Faculty Lounge, Room 0.036

Bonn Law Econ Workshop

17:00, Juridicum, Room 0.042

(change of time and venue!)

Marta Kozakiewicz, BGSE

“Overconfidence and Self-Defeating Learning”

Jana Hofmeier, BGSE

“Image Concerns and the Dynamics of Moral Behavior”

Katja Mann, BGSE

“Demography, Capital Flows and International Portfolio Choice over the Life-cycle”

Christian Zimpelmann, BGSE

“Individual Preferences over Risk and Portfolio-Choice”

Mikhail Ananyev, BGSE

“Leading by Example in Public Goods Game with Heterogeneous Returns”

Florence Nicol, ENAC

“Unsupervised aircraft trajectories clustering: representation by a minimum entropy approach and shape manifolds”

Keren Weinshall, Hebrew Univ. of Jerusalem

“Equal in the Eyes of the Law? Pro-Plaintiff Cost Shifting in Civil Procedures”

Wednesday, July 19, 2017

Micro Workshop BGSE

12:00, Juridicum, Room 0.017

Nina Bobkova, BGSE

“Knowing what matters for others: information choice in auctions”

Macro/Econometrics/Finance Workshop

12:30, Juridicum, “Fakultätszimmer”

Lucas ter Steege, BGSE

“The Role of Fiscal Policy Shocks during the Great Depression”

Micro Theory Seminar
16:30, Juridicum, "Fakultätszimmer"

Thursday, July 20, 2017

Macrohistory Seminar
12:15 Kaiserplatz 7 – 9, Room 4.006

Macro/Econometrics/Finance Seminar
16:15, Kaiserplatz 7 – 9, Room 4.006

Friday, July 21, 2017

Applied Micro Workshop V
12:15, briq, Room No. 9/1.1, Schaumburg-Lippe-
Str. 9

Tobias Gamp, Univ College London
"Deceptive Products and Competition in Search
Markets"

Oliver Bush, LSE
"Monetary Versus Macroprudential Policies: Causal
Impacts of Interest Rates and Credit Controls in the
Era of the UK Radcliffe Report"

Thomas Steger, Univ. of Leipzig
"Das House-Kapital : A Long Term Housing & Macro
Model"

Jonathan de Quidt, IIES Stockholm
"Measuring and Bounding Experimenter Demand"

APPLIED MICRO WORKSHOP I

Marta Kozakiewicz, BGSE

„Overconfidence and Self-Defeating Learning“

Abstract

We experimentally investigate how agent's overconfidence influences the way he is learning about other decision-relevant variables. We take a closer look at the learning process when the outcome depends on agent's ability and non-observable, external fundamental. Every period the agent takes an action that he considers optimal given his beliefs about his ability and the fundamental. At a later date he observes an output realization and compares it to the expectations he forms based on his beliefs. After observing the outcome that is lower than expected, the overconfident agent revises his beliefs downwards and adjusts his behavior accordingly. He takes an action that is suboptimal from a perspective of an unbiased observer. As a result the outcome decreases further and the agent forms even more pessimistic beliefs about the fundamental. The learning process is self-defeating in a sense that the agent is endogenously producing observations that drive him away from the correct belief and towards lower outcome. The phenomenon has important economic implications in many settings: from managerial decisions to delegate tasks or to exert more control over employees, to optimal effort or public-policy choices. We use novel experimental design to capture subjects' propensity to engage in self-defeating learning and to test whether the biased perception of one's ability indeed has a detrimental effect on the learning process.

APPLIED MICRO WORKSHOP II

Jana Hofmeier, BGSE

“Image Concerns and the Dynamics of Moral Behavior”

(with *Frederik Schwerter, Louis Strang*)

Abstract

I present preliminary results from a laboratory experiment shedding light on the dynamics of moral behavior. In the first step we attempt to replicate the moral licensing effect from psychological literature under the conditions of economic standards. In a second step we vary the observability of the prosocial actions on various stages to elicit the influence of image concerns on the dynamics of repeated moral acts.

FINANCE AND INSURANCE SEMINAR

Katja Mann, BGSE

“Demography, Capital Flows and International Portfolio Choice over the Life-cycle

(with *Margaret Davenport*)

Abstract

In an aging world, how does a country's demographic structure impact external positions in safe and risky assets and their respective prices? We answer these questions combining endogenous portfolio choice over the life-cycle with a two-region, general equilibrium model. We show that when one region is aging faster than the other, its demand for both safe and risky assets increases, whereas a greater portfolio share is allocated to safe assets. Absent perfectly elastic supply, this results in a change in autarky rates and, in an open economy, in international asset trades. Calibrating the model to the U.S. and the EU for 1990 to 2095, a negative net external position in safe assets and a positive net external position in risky assets emerges in the U.S. vis-à-vis the EU. We predict these bilateral positions to persist throughout the demographic transition. The model allows us to quantitatively assess the impact of demographic change on trade in different types of assets, whereas previously, the focus has been on aggregate capital flows.

APPLIED MICRO WORKSHOP III

Christian Zimpelmann, BGSE

“Individual Preferences over Risk and Portfolio-Choice”

(with *Hans-Martin von Gaudecker, Arthur van Soest, Erik Wengström*)

Abstract

Using experimental data on choices over monetary gambles and portfolio choices from a representative sample, we estimate a utility specification which explains both small-stake decisions in experiments and large-stake portfolio choices. This specification incorporates first-order risk aversion and narrow framing. We empirically account for preference heterogeneity by a finite mixture model. The portfolio choice predictions of our model are benchmarked against the prediction based solely on individual characteristics, but no experimental data. This shows that the decisions observed in an experiment can be helpful to understand real-world choices of the same individuals.

APPLIED MICRO WORKSHOP IV

Mikhail Ananyev, BGSE

“Leading by Example in Public Goods Game with Heterogeneous Returns”

Abstract

The effect of leading-by-example on the provision of public goods has been extensively studied in the setting with symmetric players who benefit equally from the public good, and has been shown to improve cooperation as a coordination device in this setting. However, little is known about its effect in heterogeneous groups. There, the heterogeneity in the players' benefits from the public good induces trade-offs between efficiency, equity and equality – which in turn might affect the effectiveness of leading by example. To shed light on this, I conduct laboratory experiments: Groups of 3 players play a sequential linear public-goods game. Between treatments, the type of the leader is varied (1 low and 1 high type, either lead by a high-type or a low-type leader). The preliminary results suggest that with a high-type leader, followers with lower return from the public good follow the leader as close as followers with higher returns. In contrast, followers' reactions differ between types if the leader is of a low type.

ECONOMETRICS AND STATISTICS SEMINAR

Florence Nicol, ENAC

“Unsupervised aircraft trajectories clustering: representation by a minimum entropy approach and shape manifolds”

Abstract

Clustering is a common operation in statistics. When data considered are functional in nature, like curves, dedicated algorithms exist, mostly based on truncated expansions on Hilbert basis. When geometrical constraints are put on the curves, like in applications related to air traffic where operational considerations are to be taken into account, usual procedures are no longer applicable. The modeling of trajectories with shape manifolds and a Lie group approach are used to represent curves. A new approach based on entropy minimization is then presented, yielding an efficient unsupervised algorithm suitable for automated traffic analysis. It outputs cluster centroids with low curvature, making it a valuable tool in airspace design applications or route planning.

BONN LAW ECON WORKSHOP

Keren Weinshall, Hebrew Univ. of Jerusalem

“Equal in the Eyes of the Law? Pro-Plaintiff Cost Shifting in Civil Procedures”

(with Ifat Taraboulos)

Abstract

Are there asymmetries between plaintiffs and defendants in civil trial courts, such that one side systematically fares better than the other? This paper introduces a novel approach for confronting one aspect of litigant asymmetry by analyzing the interactions between the substantial outcomes of civil cases and the cost-shifting outcomes of the cases. The Israeli fee regime, in which judges are granted full discretion in allocation of costs, presents a unique case study for applying this approach. We analyze an original dataset of 2,000 civil cases that encompass all case disposition possibilities, across a wide range of case and litigant characteristics, thus mitigating some selection bias limitations while enriching the general civil litigation discourse beyond cases adjudicated on the merits. Our findings show compelling evidence for a pro-plaintiff effect in the courts, such that prevailing plaintiffs are granted more and higher costs than prevailing defendants. This effect can be partially attributed to plaintiffs and defendants exhibiting different cost-requesting behaviors, yet persists when request of costs is held constant. We find no evidence for other explanatory factors and cautiously suggest that there may be an implicit pro-plaintiff bias in effect in the courts. Policy implications and measures are discussed.

MICRO WORKSHOP BGSE

Nina Bobkova, BGSE

“Knowing what matters for others: information choice in auctions”

Abstract

An object for sale has a common component (resale value) and an idiosyncratic component (private taste). After the seller commits to a mechanism, the bidders decide between learning about the common component or the idiosyncratic component. If they learn more about their common component, their estimates are correlated stronger than if they learn about the idiosyncratic component. Bidder's incentives to know what matters for others vary with the chosen mechanism. The second price auction induces the least correlation, and allocates the object ex-ante efficiently. The first price auction has the opposite effect: it induces the highest correlation. As the number of bidders increases, choosing the SPA over the FPA induces a higher expected revenue. Ex-ante full surplus extraction via a mechanism in the flavor of Cremer and McLean (1988) is infeasible.

MACRO/ECONOMETRICS/FINANCE WORKSHOP

Lucas ter Steege, BGSE

“The Role of Fiscal Policy Shocks during the Great Depression”

Abstract

This paper investigates whether government spending has a stimulating effect on the German economy during the Great Depression. Using monthly data on central government spending, this paper finds the following results: Government spending shocks are transitory, but do have stimulating effects. Industrial production and prices increase within the first year after a shock, while unemployment decreases. Quantitatively, the peak responses after 8 to 9 months of a 1 % increase in real spending are between 0.1 and 0.4 % for industrial production, while unemployment drops range from 0.2 to 0.5 %, depending on the specification used.

MICRO THEORY SEMINAR

Tobias Gamp, Univ. College London
“Deceptive Products and Competition in Search Markets”

Abstract

We study a search market where firms have a choice between offering either efficient, high quality (“candid”) products or inefficient, low quality (“deceptive”) products which some (“naive”) consumers fail to recognize as such. We derive an equilibrium in which both business models co-exist and show that as search frictions vanish, high quality goods are entirely driven out of the market. We show that market share and price dynamics can be non-monotone in search frictions, and we argue that while policy interventions that reduce search frictions such as the standardization of price and package formats may harm welfare, a price floor regulation and a minimum quality standard can improve welfare.

MACROHISTORY SEMINAR

Oliver Bush, LSE
“Monetary Versus Macroprudential Policies: Causal Impacts of Interest Rates and Credit Controls in the Era of the UK Radcliffe Report”

Abstract

We have entered a world of conjoined monetary and macroprudential policies. But can they function smoothly in tandem, and with what effects? Since this policy cocktail has not been seen for decades, the empirical evidence is almost non-existent. We can only fix this shortcoming in a historical laboratory. The Radcliffe Report (1959), notoriously skeptical about the efficacy of monetary policy, embodied views which led the UK to a three-decade experiment of using credit controls alongside conventional changes in the central bank interest rate. These non-price tools are similar to policies now being considered or used by macroprudential policymakers. We describe these tools, document how they were used by the authorities, and craft a new, largely hand-collected dataset to help estimate their effects. We develop a novel identification strategy, which we term Factor-Augmented Local Projection (FALP), to investigate the subtly different impacts of both monetary and macroprudential policies. Monetary policy acted on output and inflation broadly in line with consensus views today, but credit controls had markedly different effects and acted primarily to modulate bank lending.

MACRO/ECONOMETRICS/FINANCE SEMINAR

Thomas Steger, Univ. of Leipzig
“Das House-Kapital : A Long Term Housing & Macro Model”
(with *Volker Grossman*)

Abstract

There are, by now, several long term, time series data sets on important housing & macro variables, such as land prices, house prices, and the housing wealth-to-income ratio. However, an appropriate theory that can be employed to think about such data and associated research questions has been lacking. We present a new housing & macro model that is designed specifically to analyze the long term. As an illustrative application, we demonstrate that the calibrated model replicates, with remarkable accuracy, the historical evolution of housing wealth (relative to income) after World War II and suggests a further considerable increase in the future. The model also accounts for the close connection of house prices to land prices in the data. We also compare our framework to the canonical housing & macro model, typically employed to analyze business cycles, and highlight the main differences.

APPLIED MICRO WORKSHOP V

Jonathan de Quidt, IIES Stockholm

“Measuring and Bounding Experimenter Demand”

(with *Johannes Haushofer, Christopher Roth*)

Abstract

We propose a technique for assessing robustness of experimental findings to experimenter demand effects. The premise is that by deliberately inducing demand in a structured way we can plausibly bound demand-free behavior. We motivate our approach with a simple model in which experimental participants respond to their beliefs about the experimenter's objectives. Bounds are then obtained by manipulating those beliefs with "demand treatments." We demonstrate the approach with seven experiments covering eleven canonical laboratory tasks and around 19,000 participants. Finally, we analyze how demand sensitivity varies by participant pool, gender, incentives, and attentiveness, and structurally estimate the model.

Redaktionsschluss / Deadline

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WEDNESDAY, JULY 19, 2017

12:00

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