

PROGRAM

13TH RGS DOCTORAL CONFERENCE IN ECONOMICS

REGIONAL DISPARITIES AND
ECONOMIC POLICY IN EUROPE



TU DORTMUND

18-19

FEBRUARY 2020



LOCATION

North
Campus

INTERNATIONALES BEGEGNUNGSZENTRUM (IBZ)

Emil-Figge-Str. 59, 44227 Dortmund
Veranstaltungssaal, Seminarraum 1, 2/3

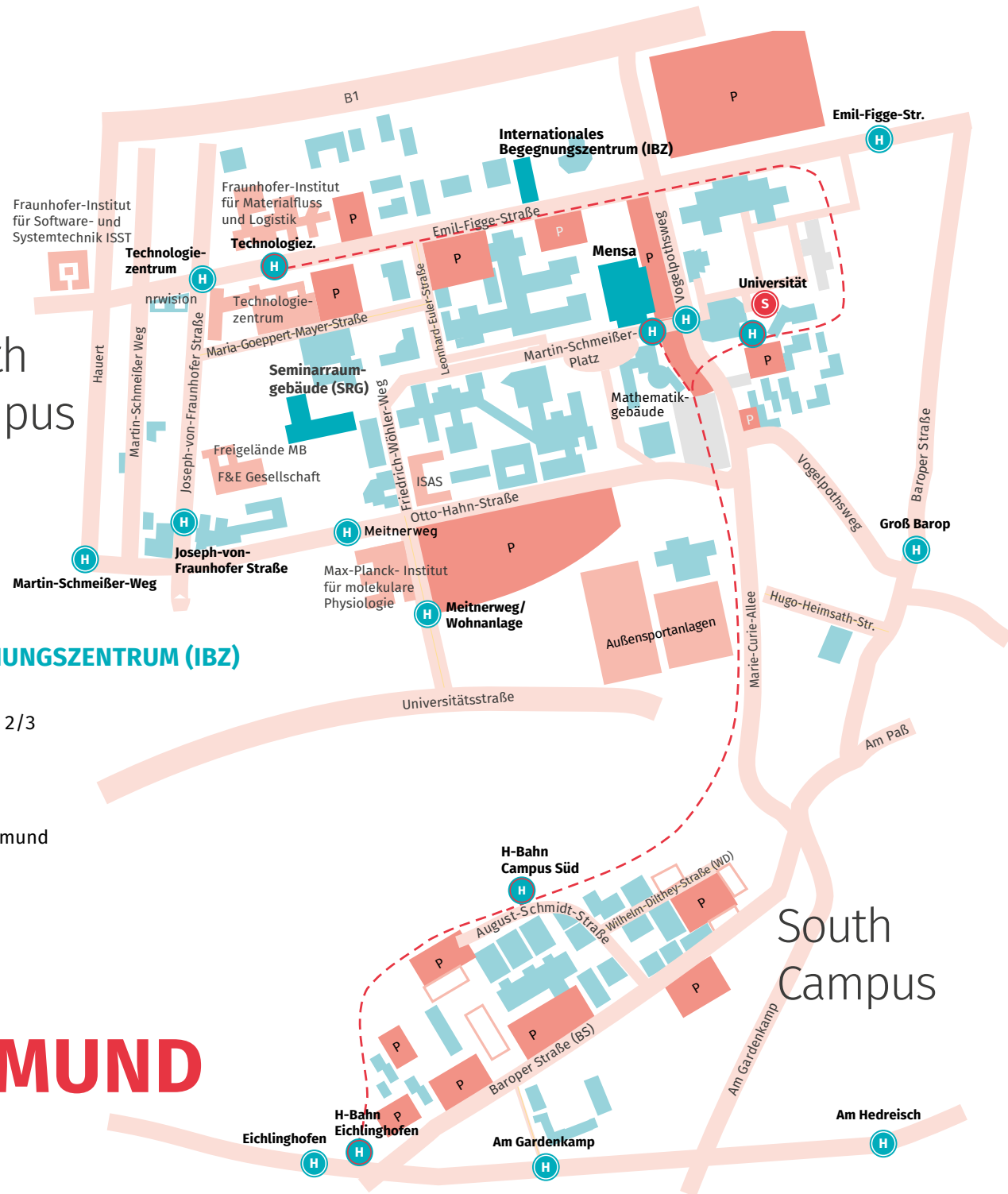
SEMINARRAUMGEBÄUDE

Friedrich-Wöhler-Weg 6, 44227 Dortmund
SRG 1.023 und SRG 1.024

MENSA

Vogelpothsweg 85, 44227 Dortmund

TU DORTMUND



South
Campus

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**13TH
DOCTORAL
CONFERENCE IN
ECONOMICS**

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DEAR PARTICIPANTS

It is our pleasure to welcome you to the “13th RGS Doctoral Conference: Regional Disparities and Economic Policy in Europe”. We are excited about the high-quality contributions to this year’s conference program and honored that you are joining us to present your work and discuss your research with other doctoral students.

The conference is organized annually by the Ruhr Graduate School in Economics (RGS Econ), rotating locations between those of RGS Econ’s initiators; Bochum, Duisburg, Dortmund, and Essen. It serves as a platform for young talented economists – just like you – to engage in fruitful discussions, to learn and share knowledge, to build networks, and, ideally, to initiate joint research projects. RGS Econ’s faculty members, who will chair the sessions, are also more than happy to discuss research ideas and give comments. Engage!

As a particular highlight and in line with this year's focus on regional disparities, the conference features a keynote speech by Professor Jacques-François Thisse (Université Catholique de Louvain and CEPR Research Fellow), who will give a presentation on his current paper "Income Sorting Across Space: The Role of Amenities and Commuting Costs". Furthermore, Yannick Timmer, PhD (International Monetary Fund) will present "Closer Together or Further Apart? Within-Country Regional Disparities and Adjustment in Advanced Economies", based on a chapter from the World Economic Outlook, October 2019.

We have striven to create optimal surroundings for a highly productive time here in Dortmund. We hope that the conference persistently contributes to the advancement of economic research and research-based policy advice, through dialogue and mutual understanding, by bringing together early-career researchers and prospective leaders from across Europe and the world. Comments and suggestions for improvement are highly welcome.

Kind regards,



Prof. Dr. Ludger Linnemann,
Director RGS Econ



Prof. Dr. Dr. h.c. Christoph M. Schmidt, PhD,
Director RGS Econ



ABOUT



Ruhr Graduate School in Economics

ABOUT RGS ECON

The Ruhr Graduate School in Economics (RGS Econ) provides internationally competitive research-oriented doctoral training in economics in the form of a 3 to 4-year structured program. It combines and builds on the expertise of the three economics departments of the University Alliance Ruhr (TU Dortmund University, University of Duisburg-Essen, and Ruhr-University Bochum), as well as one of Germany's leading economic research institutes, the RWI – Leibniz Institute for Economic Research.

RGS Econ funds around eight excellent entering doctoral students per year with a three-year scholarship or teaching and research assistant positions. Advanced coursework, appropriate guidance, a cooperative learning environment, and an extensive research network and infrastructure are geared to support our students in conducting first-rate research and our graduates in obtaining excellent positions in academia, in research and policy institutions, and in the private sector.

The program covers all major areas of economics, from theory to empirical validation, and from policy design to its evaluation. Faculty members of the RGS Econ group themselves into three major research clusters listed below. Interactions and cooperation within and across clusters are intense; doctoral students are invited to contribute to these exchanges by following their own interests.

CLUSTER 1:

Applied Microeconometrics, Labour, Population, and Health Economics

CLUSTER 2:

Macroeconomics, Monetary and International Economics, Financial Markets, Econometrics

CLUSTER 3:

Microeconomics, Game Theory, Mechanism Design, Public Finance

**THE CONFERENCE IS CO-FUNDED BY THE EUROPEAN UNION.
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ORGANIZERS & COMMITTEES

This event would not have been possible without the time and effort of:

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Helge Braun, PhD (RGS Econ)
Dejan Dragutinovic (RGS Econ and TU Dortmund University)
Anna Werbeck (RGS Econ and RWI)

GRAPHICS & DESIGN

Daniela Schwindt (RWI)
Sarah Rühl (RWI)





GENERAL INFORMATION

GENERAL INFORMATION

CONFERENCE VENUE

**Technische Universität Dortmund
Internationales Begegnungszentrum (IBZ)
Emil-Figge-Str. 59
44227 Dortmund**

HOW TO GET TO THE CONFERENCE?

Arriving by train:

From the main train station in Dortmund (Dortmund Hbf), you can take the train S1 towards „Solingen Hbf“. You will need to leave the tram at the station „Dortmund Universität S“. From here it is a 10-minute walk to the conference location.

Arriving by car:

Exit the highway A40 or A45 at „Dortmund West“, then follow the signs „Universität“.

Arriving by plane:

The closest airports are Duesseldorf (DUS) and Dortmund (DTM).

A map of the conference venue is provided on the inside cover of this booklet.

REGISTRATION AND INFORMATION DESK

The registration and information desk for the conference is located in the foyer of the conference location (IBZ).

On Tuesday, February 18, it is staffed from 8:00 – 20:00.

On Wednesday, February 19, it is staffed from 8:30 – 17:00.

CANTEEN (MENSA)

In order to receive the reduced price for students at the university canteen (mensa), conference attendees will need to show their student ID (from their home university) to the cashier. The canteen (mensa) is located near the conference location at IBZ and can be reached in less than five minutes.

SMOKING POLICY

Smoking is strictly prohibited inside all university buildings. Smoking is only permitted outside the buildings.

INTERNET ACCESS

Internet access via eduroam is provided. Additionally, internet access via a guest network will be available throughout the conference building.

The name and access code of the wireless network will be available at the information desk.

CONTACT IN CASE OF URGENT MATTERS

Helge Braun

helge.braun@rgs-econ.de

+49 (0)176 32 92 8840





**SPECIAL
EVENTS &
KEYNOTE
SPEECH**

SPECIAL EVENT & KEYNOTE SPEECH

MONDAY, FEBRUARY 17

Get-together

19:00

For those arriving early, we will meet for a get-together at a local brewery. We hope that you can join us there for a taste of traditional pub grub and the local beer.

WENKERS am Markt

Betenstr. 1

44137 Dortmund

<http://www.wenkers.de>

TUESDAY, FEBRUARY 18

Opening Remarks

08:45 - 9:00 (Veranstaltungssaal, IBZ)

Prof. Dr. Tobais Seidel (University of Duisburg Essen), with a greeting by Prof. Dr. Andreas Liening (Dean of the Faculty of Business and Economics, TU Dortmund University)

Keynote speech by Prof. Jacques-François Thisse (Université Catholique de Louvain)

16:00 - 17:00 (Veranstaltungssaal, IBZ)

INCOME SORTING ACROSS SPACE:
THE ROLE OF AMENITIES AND COMMUTING COSTS

There will be an extended coffee break after the keynote speech.

About the Speaker

Jacques-François Thisse is a Professor at the University of Louvain in Belgium. He has published over 200 articles in different international journals (*Econometrica*, *Journal of Economic Theory*, etc) and in different disciplines such as industrial economics, spatial economics, international economics and public economics. He is particularly interested in product differentiation, heterogeneous consumers and firm behavior in various types of market structure and spatial settings. He has been a Visiting Invited Professor in many departments, most recently at Columbia economics department, and has received many prestigious awards, amongst which the Solvay price of the Belgian Science foundation in 2006.

Conference Dinner

19:00 - 20:30 Foyer, IBZ

WEDNESDAY, FEBRUARY 19

**Presentation by Yannick Timmer, PhD
(International Monetary Fund)**

13:15-14:15 (Veranstaltungssaal, IBZ)

CLOSER TOGETHER OR FURTHER APART? WITHIN-COUNTRY REGIONAL
DISPARITIES AND ADJUSTMENT IN ADVANCED ECONOMIES

About the Speaker

Yannick Timmer is an Economist in the Research Department of the International Monetary Fund. He holds a PhD from Trinity College Dublin. His research interests include international financial markets and the intersection between macro and finance.

Best Paper Award and Closing Remarks

16:15-16:45 (Veranstaltungssaal, IBZ)

Prof. Dr. Ludger Linnemann, TU Dortmund University

The conference ends February 19th, 16:45.

Important

On February 19th, starting at 16:45, we will offer sandwiches and snacks until 17:30 in the IBZ, also for take-out.

**Important**

Note that conference sessions take place in two different buildings, Internationales Begegnungszentrum (IBZ) and Seminarraumgebäude (SRG). Please allow around 5-10 minutes for the commute between these locations.





CONFERENCE PROGRAM

CONFERENCE PROGRAM

FEBRUARY 17, MONDAY

19:00	Get-together	WENKERS am Markt Betenstr. 1 44137 Dortmund
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FEBRUARY 18, TUESDAY

08:00 - 8:45	Registration	Foyer, IBZ
08:45 - 9:00	Opening Remarks, Prof. Dr. Tobias Seidel with a Greeting from Prof. Dr. Andreas Liening	Veranstaltungssaal, IBZ
9:15 - 10:45	Regional Disparities: Macro Labor Economics (Theory) Micro Theory I	Veranstaltungssaal (IBZ) Seminarraum 2/3 (IBZ) SRG 1.023
10:45 - 11:15	Coffee Break	Foyer, IBZ
11:15 - 12:45	Applied Microeconomics I Regional Disparities: Amenities Micro Theory II Macro/Finance	Veranstaltungssaal (IBZ) Seminarraum 2/3 (IBZ) SRG 1.023 SRG 1.024

13:00 - 14:00	Lunch	Mensa
14:15 - 15:45	Regional Disparities: Migration Applied Microeconomics II Macro & Labor Monetary Policy and Text-Mining	Veranstaltungssaal (IBZ) Seminarraum 2/3 (IBZ) SRG 1.023 SRG 1.024
16:00 - 17:00	Keynote Speech, Prof. Jacques-François Thisse “Income Sorting Across Space: The Role of Amenities and Commuting Costs”	Veranstaltungssaal, IBZ
17:00 - 17:30	Coffee Break	Foyer, IBZ
17:30 - 19:00	Regional Disparities: Trade Regional Disparities: Using Regional Data Macroeconomics I Industrial Organization	Veranstaltungssaal (IBZ) Seminarraum 2/3 (IBZ) SRG 1.023 SRG 1.024
19:00 - 20:30	Conference Dinner	Foyer, IBZ

FEBRUARY 19, WEDNESDAY

8:30 - 10:00	Regional Disparities: Technology Political Economy Macroeconomics II Applied Microeconomics III	Veranstaltungssaal (IBZ) Seminarraum 2/3 (IBZ) SRG 1.023 SRG 1.024
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10:00 - 10:30 Coffe Break Foyer, IBZ

10:30 - 12:00	Regional Disparities: Wages and Productivity Labor Economics I Macroeconomics III Time Series Econometrics Finance	Veranstaltungssaal (IBZ) Seminarraum 2/3 (IBZ) SRG 1.023 SRG 1.024 Seminarraum 1 (IBZ)
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12:00 - 13:15 Lunch Mensa

13:15 - 14:15	Yannick Timmer “Closer Together or Further Apart? Within-Country Regional Disparities and Adjustment in Advanced Economies”	Veranstaltungssaal, IBZ
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14:15 - 14:30 Coffe Break Foyer, IBZ

14:30 - 16:00	Regional Disparities: Politics and Policy Labor Economics II Monetary Policy Applied Microeconomics IV Energy and Resource Economics	Veranstaltungssaal (IBZ) Seminarraum 2/3 (IBZ) SRG 1.023 SRG 1.024 Seminarraum 1 (IBZ)
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16:15 - 16:45 Best Paper Award and Closing Remarks, Prof. Dr. Ludger Linnemann Veranstaltungssaal, IBZ

16:45 - 17:30 Early Dinner, also take-out Foyer, IBZ

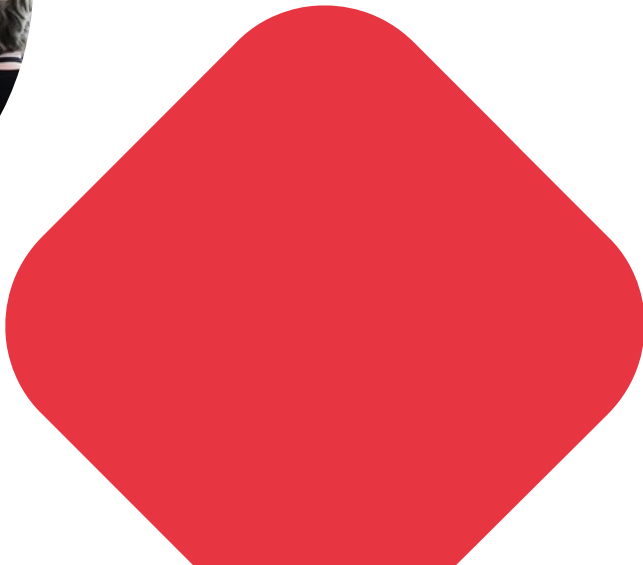


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ABSTRACTS

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**TUESDAY
FEBRUARY
18, 2020**

SESSION 1

REGIONAL DISPARITIES: MACRO

09:15 – 10:45

Veranstaltungssaal (IBZ)

Chair: Prof. Dr. Philip Jung

1. THE POLITICAL ECONOMY OF CURRENCY UNIONS

Kai Arvai (University of Bonn)

How can a currency union be sustained if member states have an exit option? A currency union can break apart, if one member state is in an economic crisis and decides to leave. This paper derives how a social planner can implement a self-enforcing allocation under limited lack of commitment from countries towards the currency union. A social planner would prevent a breakup with a simple and credible transfer rule, that redistributes a small and constant fraction of GDP within the currency union for an extended amount of time. This rule is enough to make the crisis country stay in the currency union. By sustaining the currency union, that rule increases overall expected ex-ante lifetime consumption by 7.9%.

2. THE STATIONARY SPATIAL EQUILIBRIUM WITH MIGRATION COSTS

Gabriel M. Ahlfeldt, Fabian Bald (University of Duisburg-Essen and RGS Econ), Duncan Roth, and Tobias Seidel

We extend the standard spatial equilibrium framework in that we model how utility-maximizing migration decisions lead to spatial arbitrage, allowing us to solve for rather than assume a long-run spatial equilibrium. To this end, we develop a quantitative spatial model in which heterogeneous workers make location decisions facing region-group-specific labour-market-related agglomeration benefits, region-specific housing-market-related agglomeration costs, and group-specific bilateral migration costs.

The model remains tractable and amenable to empirical analysis because of stochastic amenity shocks with group-specific variance. We estimate the structural parameters of the model exploiting comprehensive German labour and housing market micro data and exogenous variation that originates from trade shocks, Germany's division, and deep history. Our quantitative framework can be used to evaluate the aggregate and distributional effects of arbitrary spatial shocks to productivity, amenity, or housing supply in general equilibrium, with and without migration costs. Using trade shocks, land use regulations, and regional transfers as cases in point, we illustrate how spatial shocks lead to winning and losing workers within winning and losing regions and how place-based policies affect the spatial distribution of worker welfare.

3. HOW TO MAKE EMU MORE SYNCHRONOUS? ROLE OF EU FUNDS IN MERGING EUROPE

[Benoit Dicharry \(University of Strasbourg\)](#) and Lubica Stiblarova

This paper focuses on the potential role of the European Cohesion Policy on the business cycle synchronization in the EU-28. Using over 3 000 bilateral country-pairs during examined period 2000-2016, we assess the impact of actual EU funds expenditures on the business cycle synchronicity. Due to possible endogeneity issue between actual EU funds and current business cycle conditions, we instrument actual payments from the EU funds by their commitments, which are driven by supranational political factors and allocated before the beginning of each programming period. Special attention is put on countries belonging to the Economic and Monetary Union (EMU) as increased business cycle synchronization is considered, according to the Optimum Currency Areas (OCA) theory, as an inevitable condition for the successful implementation of a common monetary policy. We find that the EU funds promoted business cycle synchronization in the EMU, which can suggest that the European Cohesion Policy has a positive externality on the EMU's common monetary policy. We also find a promoting role of the EU funds for the EMU-nonEMU country-pairs. We further provide a more detailed analysis conducted for each EU fund, highlighting the role of both – the European Regional Development Fund (ERDF) and the Cohesion Fund (CF). The same analysis is conducted with the EU-15 and the Central and Eastern European (CEE) countries and reveals that the EU funds have been able to promote the business cycle syn-

chronization in the EU-15, between the EU-15 and the CEE countries, and among the CEE countries as well. We find qualitatively similar results for different estimators and different business cycle estimation techniques, confirming robustness of our results.

SESSION 2

LABOR ECONOMICS (THEORY)

09:15 – 10:45

Seminarraum 2/3 (IBZ)

Chair: Dr. Edgar Preugschat

1. **WAITING FOR THE PRINCE CHARMING: FIXED-TERM CONTRACTS AS STOPGAPS**

Normann Rion (Paris School of Economics)

In this paper, I build a simple Mortensen-Pissarides model embedding a dual labor market. I derive conditions for the existence of an equilibrium with coexisting strongly protected open-ended contracts and exogenously short fixed-term contracts. I also study dynamics after a reform on employment protection legislation. Temporary contracts play the role of fillers while permanent contracts are used to lock up high-productivity matches. High firing costs favor the emergence of a dual equilibrium. Employment protection legislation encourages the resort to temporary employment in job creation. This scheme is intertwined with a general-equilibrium effect: permanent contracts represent the bulk of employed workers and a more stringent employment protection reduces aggregate job destruction. This pushes down unemployment and in turn reduces job creation flows through temporary contracts. The model is calibrated to match the French labor market. Policy experiments demonstrate that there is no joint gain in employment and social welfare through reforms on firing costs around the baseline economy. The optimal policy consists in implementing a unique open-ended contract with a strong cut in firing costs. Increases in firing costs within a dual labor market lead to a sluggish adjustment, while large cuts in firing costs lead to a quick one. The adjustment time of the labor market is highly non-monotonous between these two extremes. Policy-related uncertainty significantly strengthens fixed-term employment on behalf of open-ended employment. Considering extensions, I draw conclusions on the inability of a large class of random-matching models to mimic the distribution of temporary contracts'

duration while maintaining possible the expiring temporary contracts' conversion into permanent contracts.

2. FAIR INHERITANCE TAX

Marius Vogel (University of Cologne)

This paper analyzes fair taxation in an intergenerational framework. The combination of different fairness axioms, most notably Transfer (consumption inequality reducing transfers between otherwise 'identical' individuals is socially desirable) and Laissez-faire (if everyone has the same skill level and receives no bequest, taxation is not necessary) imply a concentration on the worst-off in society. Well-being is measured in a particular way: It is given by the wage rate someone would need in a world without taxation and received bequest to be indifferent to the status quo. In terms of taxation the fairness axioms imply a concentration on the highest average taxes paid by low-wage earners, who do not receive a bequest. This research extends Fleurbaey and Maniquet (2006) to an intergenerational context and complements Piketty and Saez (2013); Farhi and Werning (2010, 2013) from a fairness perspective.

3. SLAVERY, CORRUPTION, AND INSTITUTIONS

Michael Rauscher and Bianca Willert (University of Rostock)

We develop a model where firms profit from coercing workers into employment under conditions violating national law and international conventions and where bureaucrats benefit from accepting bribes from detected perpetrators. Firms and bureaucrats are heterogeneous. Employers differ in their unscrupulousness regarding the use of slave labour whereas bureaucrats have differing intrinsic motivations to behave honestly. Moreover, there is a socially determined warm-glow effect: honest bureaucrats feel better if their colleagues are honest too. The determination of bribes is modelled via Nash bargaining between the firm and the corrupt civil servant. It is shown that multiple equilibria and hysteresis are possible. Depending on history, an economy may be trapped in a locally stable high-corruption, high-slavery equilibrium and major changes in government policies may be necessary to move the economy out of this equilibrium. Moreover, we show that trade bans that are effective in reducing slavery in the export industry tend to raise slavery in the remainder of the economy. It is possible that this leakage effect dominates the reduction of slavery in the export sector.

SESSION 3

MICRO THEORY I

09:15 – 10:45

SRG 1.023

Chair: Prof. Dr. Lars Metzger

1. **FOOLED BY YOUR FRIENDS? OVERCOMING MISPERCEPTIONS WITH NETWORK INFORMATION**

[Martin Benedikt Busch \(University of Copenhagen\)](#) and [Andreas Bjerre-Nielsen](#)

We study how individuals can overcome misperceptions using network information. Existing theoretical literature assumes that individuals cannot incorporate information about network peers into their decision making, inconsistent with emerging evidence from the empirical literature demonstrating that individuals do. We develop a simple model of network formation - biased by the majority illusion. Naive agents who think that their network neighbors represent a random sample of the population (i.e. are prone to the majority illusion) significantly misperceive an underlying true state of the world. We show under which conditions a Bayesian agent can consistently overcome misperceptions using network information. We find that under moderate information assumptions a Bayesian agent can consistently overcome misperceptions. Under weaker information assumptions a Bayesian agent can significantly reduce misperceptions - but not overcome them. We extend the setup of Jackson (2019) with our framework. In this combined model, we show that when agents are naive misperceptions persists in equilibrium, but when agents are Bayesian misperceptions are eliminated.

2. **ADVICE-SEEKING AND REPUTATION**

[Benjamin Häusinger \(LMU Munich\)](#)

Seeking advice is crucial for informed decision-making. Yet many individuals do not seek advice because they fear signaling low ability. In this

paper, I theoretically analyze the relationship between ability, reputation concerns and the incentives to seek advice in an organizational setting work environment. First I show that advice-seeking incentives can increase with ability because of a three-fold correlation between ability, effort and benefits from advice. Second, I analyze a signaling game in which agents can signal high ability jointly by their work performance and by seeking advice. Here I can prove existence of an equilibrium in which, contrary to the common fear of signaling low ability, (a) advice-seeking increases reputation and thus (b) reputation concerns are beneficial for advice-seeking.

3. FEAR OF EXCLUSION AND DYNAMICS OF CLUB FORMATION

Priyanka Joshi (University of Nottingham)

We explore a dynamic model of sequential club formation in which identical individuals form and dissolve clubs over time. A club is defined by set of its members whose preferences solely depend on the number of members in the club. An optimal sized club is unique which provides the highest payoff. In each period, an order of proposers is given by an exogenous protocol, who could form new clubs if all members agrees. Our focus is on the long-run interactions of such a sequential club formation game and to uncover if individuals would form sub-optimal sized in the equilibrium. To study the implication of the long-run interaction, we use a benchmark game where the game goes for a finite number of time. We characterize Markov Perfect equilibria of such a game where stable club structures are formed and never change once they are formed. We show that in an infinite horizon game, stable club structures need not have optimal sized clubs. In fact, there exists a set of stable club structure in which none of the clubs are of optimal size. By contrast, in finite horizon, all stable club structures have all the possible optimal sized club. This provides us two interesting insights. First, if individuals are forward-looking then they might exhibit fear of exclusion when they are uncertain about the final outcomes. Second, individuals refrain from benefit enhancing decision if such decisions further lead to unwanted changes . A specific class of equilibria is analysed to examine such behaviour.

SESSION 4

APPLIED MICROECONOMICS I

11:15 – 12:45

Veranstaltungssaal (IBZ)

Chair: Prof. Christiane Hellmanzik, PhD

1. **INSTRUCTION TIME, TEACHER SKILLS, AND INTERNATIONAL DIFFERENCES IN STUDENT PERFORMANCE**

Jan Bietenbeck and [Matthew Collins \(Lund University\)](#)

In this paper, we revisit the international evidence on impacts of instruction time on student achievement. We first successfully replicate the landmark studies by Lavy (2015) and Rivkin and Schiman (2015), which show that instruction time increases student achievement in data from the Programme for International Student Achievement (PISA). We then show that instruction time positively affects student achievement also in other comparable datasets, including data from the Trends in International Mathematics and Science Study (TIMSS). However, the estimated effects in these datasets are substantially smaller. We provide first evidence that these differences are partly due to different measurement of instruction time and to different sample characteristics. Finally, we provide new evidence of complementarities between instruction time and another determinant of international differences in student achievement, teachers' cognitive skills. Our results suggest that while simply increasing instruction time will likely not lead to large gains in student achievement on average, policies which couple such increases with programs aimed at improving teachers' skills might be more successful in improving student learning.

2. THE PRICE OF SILENCE: MARRIAGE TRANSFERS AND WOMEN'S ATTITUDE TOWARD INTIMATE PARTNER VIOLENCE

Suzanna Khalifa (Aix-Marseille University)

This paper provides evidence about the relationship between marriage transfers and women's opinion on intimate partner violence (IPV) in Jordan. In Middle East countries, the social structure is particularly imbued by patriarchal norms and domestic violence is largely widespread. Marriages are shaped by well-defined customs. In particular, the groom has to offer a so-called bride-price to the bride. While women's attitude about IPV arises as a key concern, a lack of knowledge still exists about its association with these transfers. I estimate how women's attitude toward IPV is affected by the bride-price amount and account for the potential endogeneity of this marriage payment. I find a positive and significant association suggesting that, since the bride price must be returned in case of divorce, a higher value might affect negatively woman's outside options which increase her acceptance of violence.

3. DOES PATERNITY LEAVE PROMOTE GENDER EQUALITY IN THE LABOUR MARKET?

Daniel Kuehnle, Max Kunaschk (Institute for Employment Research (IAB), and Michael Oberfichtner

Although the provision of paternity leave has increased substantially across many OECD countries over the past decades, surprisingly few studies examine how paternity leave taking affects gender equality in the labour market. We therefore investigate how parental leave-taking by fathers affects the within-couple wage gap using administrative social security data from Germany. Further, we separately examine the impact on fathers' and mothers' wages, total days in employment, and cumulated earnings for a period of up to six years after child birth. We adopt an event-study approach that exploits the sharp changes in outcomes following childbirth. Our preliminary results show that paternity leave taking significantly and permanently reduces the within couple wage gap. The effect emerges as wages increase for mothers whose spouse takes parental leave, and the wages of fathers who take parental leave fall relative to fathers who do not take parental leave.

SESSION 5

REGIONAL DISPARITIES: AMENITIES

11:15 – 12:45

Seminarraum 2/3 (IBZ)

Chair: Prof. Dr. Sanne Kruse-Becher

1. EXPORTING, OFFSHORING, AND ENDOGENOUS FIRM-LEVEL AMENITIES UNDER MONOPSONISTIC COMPETITION

Avtandil Abashishvili (TU Dortmund University) and Jens Wrona

We introduce an endogenous amenities choice into an international trade model with a monopsonistically competitive labour market, in which firms compete for potential employees by offering them a combination of monetary (wages) and non-monetary (amenities) benefits. Firms can enter foreign markets through exporting and through offshoring, and we demonstrate that the choice of the globalisation mode has a differential effect on the wages and the amenities that firms offer to their employees. Whereas exporting firms offer higher wages and provide better amenities in order to attract the additional workers necessary to serve the foreign market, we find that offshoring firms reduce their domestic employment, which allows them to save on wages and amenities. In general equilibrium the aggregate welfare gains from trade in final and intermediate goods not only materialize in terms of a higher purchasing power but also through a higher average amenity quality at the workplace. Welfare metrics, which exclusively focus on real income effects, may therefore underestimate the gains from globalisation.

2. THE IMPLICATIONS OF THE NEW SILK ROAD RAILWAYS ON LOCAL DEVELOPMENT

Ling Fang, Martin Kleimann (University of Duisburg-Essen), and Yuan Li and Hans-Jörg Schmerer

This paper studies regional treatment effects of infrastructure projects on economic growth, employment and intermodal transport volumes.

The recent Belt and Road Initiative provides an experiment that can be evaluated using matching econometrics. Our results show that the establishment of a new railway connection is not systematically associated with short-run economic growth. However, it spurs employment and road freight by stimulating intermodal transport.

3. DO HOUSING COSTS EAT UP ALL REGIONAL INCOME DISPARITIES?

Philipp Breidenbach, [Larissa Klick \(RWI – Leibniz Institute for Economic Research\)](#), and Sandra Schaffner

We analyze whether housing costs can compensate for regional income inequalities and, therefore, examine whether disposable income in Germany is more equally distributed after deducting regional rent costs. In addition to the existing literature, the small-scale and comprehensive approach on descriptive inequality measures shed new light on German income inequality and the role of rent costs in this context. The applied data are mainly the RWI-GEO-GRID dataset to describe disposable income on 1 km²-grid level in Germany from 2011 to 2016 and the real estate data RWI-GEO-RED deriving from online advertisements of rent apartments. The latter includes rent cost and features of apartments, which we use to model average apartment rents on 1km² grid level. Our results suggest that regional housing costs reduce inequality rather between German districts than within districts.

SESSION 6

MICRO THEORY II

11:15 – 12:45

SRG 1.023

Chair: Prof. Eugen Kovac, PhD

1. LOSS AVERSION, MORAL HAZARD, AND RANDOM CONTRACTS

Hoa Ho (LMU Munich)

I examine the optimal contract in a model of moral hazard and loss aversion. I show that when facing a loss-averse agent, the principal has an incentive to add noise in the optimal contract. In particular, the optimal contract provides a high wage upon observing a good outcome, while after a bad outcome it adds noise that gives either the high wage or a low wage. This allows the principal to pay the high wage with the highest possible probability, and to insure the loss-averse agent against wage uncertainty. The condition under which the optimal random contract strictly dominates deterministic contracts depends on how informative the performance measures are. Surprisingly, if performance measures are highly informative, the random contract benefits the principal for almost any degree of loss aversion.

2. SECRET VS PUBLIC RINGS IN COMMON VALUE AUCTIONS

Ceesay Muhammed (University of Naples Federico II)

For a single-object second-price common value auction with colluding bidders, and assuming an “almost all-inclusive ring”, we analyse whether an auctioneer who knows that a bidding ring is present at the auction should reveal their presence, and if so, whether to make the revelation publicly, or secretly to the nonring bidder. We show that for a family of value functions, and assuming (where possible) that bidders use symmetric strategies, publicly revealing that a ring is present induces the nonring bidder to submit a bid higher than the amount he bids when he (the nonring bidder) is convinced that the auction is purely noncooperative.

On one hand, this means that conditional on a ring operating at the auction, the auctioneer may improve his position by publicly announcing the ring presence, rather than keeping the ring concealed. On the other hand, this presents a new way that an auctioneer can cheat at the auction without having to employ skills, as even in the absence of colluding bidders, simply inducing bidders to believe that they are facing a ring causes them to bid higher than they would have.

3. DO PEOPLE CHOOSE WHAT MAKES THEM HAPPY AND HOW DO THEY DECIDE AT ALL? A THEORETICAL INQUIRY

Niklas Scheuer (Johannes Gutenberg University Mainz)

We develop a theoretical model that jointly explains optimal choices and happiness. We work with constant elasticity of substitution functions for utility and happiness. Employing a choice framework, individuals are confronted with two options. When there exists a trade-off, we determine parametric conditions for which individual happiness and utility coincide as well as oppose each other. Comparing the empirical evidence of Benjamin et al. (2012), our model can explain three out of four possible happiness-utility combinations. Regarding how individuals actually decide, our findings suggest that this is partly random. This explanation accounts for the remaining 11.2 % of individuals.

SESSION 7

MACRO/FINANCE

11:15 – 12:45

SRG 1.024

Chair: Dr. Boris Blagov

1. CONTAGIOUS ZOMBIES

Christian Bittner (Goethe University Frankfurt and Deutsche Bundesbank), Falko Fecht, and Co-Pierre Georg

Does banks' zombie lending induced by unconventional monetary policy measures allow zombie firms to also lever up their trade credit borrowing? In this paper, we first provide evidence suggesting that – even in Germany – particularly weak banks used the European Central Bank's Long Term Refinancing Operations (LTROs) to evergreen exposures to zombie firms, which in turn posed elevated credit risk. Second, we show that zombie firms, which obtained additional funding from banks relying to a larger extent on LTRO funding, also increased both their accounts payable and advanced payments received from downstream and upstream firms. And third, zombie firms that obtained further bank funding and such trade credit subsequent to the LTROs had a particularly elevated expected default probability even compared to average zombie firms. These findings suggest that suppliers, who rely on bank's lending decision as a signal about borrowers' credit quality, might be misled by bank's zombie lending to extend more trade credit to risky zombie firms exposing those suppliers to elevated risk of contagion from zombie firms.

2. INNOVATION AND FINANCING ACCESS: ARE ENTREPRENEURIAL SMES DIFFERENT?

Marcus Dejardin, [Luca Farè \(University of Namur\)](#), and Eric Toulemonde

We study how R&D investment decisions of micro, small, and medium enterprises (SMEs) are affected by the financing access conditions and the efficiency of the capital market. In our analysis, the efficiency of the capital market is reflected by the amount of value that can be restored after a firm's bankruptcy. From a borrower-lender partial equilibrium model we derive the endogenous borrowing interest rates and the firms' investment decision conditions. The impossibility of restore the whole firm's value after a bankruptcy is the source of multiple equilibria interest rates and interest rates dispersion. The model predicts that an increase (decrease) in the capital market efficiency a) reduces (enlarges) the likelihood of observing interest rates dispersion, b) reduces (enlarges) the likelihood of having firms who renounce investing because they cannot sustain an excessively high interest rate, and c) encourages (discourages) smaller firms to invest in R&D. We are now developing a multilevel analysis to test the aforementioned theoretical predictions, using firm-level data from the Survey on the Access to Finance of Enterprises (SAFE) and country indicators from the World Bank/Doing Business database.

3. CORPORATE RESTRUCTURING AND CREDITOR POWER: EVIDENCE FROM EUROPEAN INSOLVENCY LAW REFORMS

Frédéric Closset, [Christoph Großmann \(TU Munich\)](#), Christoph Kaserer and Daniel Urban

In the past decade, many EU15 countries have reformed their insolvency law in order to help firms restructure. While reforms may have varied with respect to their scope, formulations and timing, they all shared the common goal of fostering corporate restructuring. Based on staggered difference-in-differences analyses, we find that firms in EU15 countries, which fostered corporate restructuring by legal reform, experienced higher cost of debt than firms in countries that did not. This effect is even more pronounced for firms closer to default and firms with high leverage ratios. Furthermore, we find evidence that financial leverage, investment levels and cost of equity were not impacted by the reforms. Overall, the results

suggest that creditors may fear an increase in the restructuring of non-viable firms after these reforms, and therefore demand higher risk premia to compensate for increased agency and opportunity costs. Shareholders compensate creditors for this increased risk which in turn constitutes an internal reallocation from shareholders to creditors. Thus, no real effect on firms in terms of leverage was observed.

SESSION 8

REGIONAL DISPARITIES: MIGRATION

14:15 – 15:45

Veranstaltungssaal (IBZ)

Chair: Prof. Christiane Hellmanzik, PhD

1. **ARE REFUGEE CAMPS ATTRACTIVE? THE IMPACT OF REFUGEE CAMPS ON MIGRATORY MOVEMENTS OF THE HOST POPULATION**

Anna Gasten (Georg-August-University Göttingen)

The project assesses the impact of refugee camps on migratory movements of the local host population by combining satellite data on the location of refugee camps, official statistics and newly created retrospective panel data on yearly migration trajectories of the local host population derived from a household survey in Kagera. Kagera is a region in northwestern Tanzania that was receiving more than one million refugees fleeing the Burundian and Rwandan genocides in the mid-1990s. While the existing literature has documented refugee camps coupled with the presence of NGOs to have a direct impact on welfare, consumption, health and labor market participation of the local population living around the camps, these effects are only measured for those households still living in proximity of refugee camps some years after the opening of camps.

I hypothesize that the presence of refugees might have induced changes in the composition of households living around the camps: camps might pull benefiting households while pushing others to move away from the camps. This paper examines whether the presence of refugees leads to differential migratory movements of the local population, contingent on their socio-economic background.

2. THE LEGACY OF STATE SOCIALISM ON ATTITUDES TOWARD IMMIGRATION

Martin Lange (ZEW Mannheim)

Does the politico-economic system affect preferences for immigration? In this study, I show that individuals exposed to life under state socialism have formed, and persistently hold different attitudes toward immigration. By exploiting the natural experiment of the division and reunification of Germany, I estimate the effect of state socialism on various measures of attitudes toward immigration. Drawing on rich individual panel data, I find that East Germans who lived under state socialism, are 12.9 percent more likely to oppose immigration than West Germans who spent their entire life in a democratic, capitalist country. The effect is persistent over time and across space, and largest for cohorts born and raised under state socialism. This gap in attitudes is not driven by individuals' experiences in the transition years after the fall of the Berlin Wall, but instead can be traced back to a longer-term deterioration in trust. Evidence relating to members of a group that opposed the authoritarian system highlights the importance of state socialist ideology for attitude formation.

3. REVISITING MIGRATION DECISIONS

Matthias Huber, Till Nikolka, Panu Poutvaara, [Ann-Marie Sommerfeld \(Georg-August-University Göttingen\)](#), and Silke Übelmesser

This study aims at contributing to the understanding of how migration decisions are made, with a focus on the underlying factors that drive migration decisions before actual migration takes place. We base our analysis on determinants of migration decisions on two novel datasets. First, we conducted a survey among university students in different countries to analyse migration decisions more generally among university students. Second, we focus on a self-selected subset of the population, which is likely further in the process of considering migration compared to the overall population. For that we conducted a survey among language course participants at 14 Goethe Institutes (GI) worldwide. We model individual migration decision-making as a process of three consecutive phases: no migration intention, migration intention, and migration behaviour. Using multinomial probit regressions, we identify determinants of migration

decisions on the individual and the country level. Our results show that the influence of individual and household characteristics differs substantially over the different migration decision-making phases. Additionally, we have a more detailed look at those individuals whose migration aspirations in an ideal world scenario and their phase of migration decision-making are contradictory – thus identifying migration barriers and drivers.

SESSION 9

APPLIED MICROECONOMICS II

14:15 – 15:45

Seminarraum 2/3 (IBZ)

Chair: Prof. Dr. Sanne Kruse-Becher

1. **YOU CAN WIN BY LOSING! INCENTIVIZING MOTIVATION AND SELF-CONTROL PREFERENCES: EVIDENCE FROM WEIGHT LOSS PROGRAM**

Linda Hirt-Schierbaum and [Maryna Ivets \(University of Duisburg-Essen, RGS Econ and CINCH\)](#)

In this paper we investigate self-control and motivation in connection to weight loss. We first develop a theoretical model and then test its conclusions with data from DietBet. The theoretical model, based on Gul & Pesendorfer (2001), studies a two-period decision problem of an agent who is tempted by inferior choices in period 2. An agent is faced with a given menu and has to exercise self-control. A random, time-variant degree of motivation is introduced to influence his perceived cost of self-control.

We introduce a commitment mechanism (a bet) that can help an agent commit to his normative choice in period 2. Hereby we distinguish between sophisticated and (partially) naive agents. Theoretical results show that our mechanism can help agents to commit successfully, and also can explain why certain agents with a preference for commitment might fail (behaviour that is usually attributed to preference reversal). This commitment failure is associated with underestimation of future costs of self-control. We show that placing higher wagers on themselves can help these agents commit. Our empirical results suggest that the bet mechanism encourages weight loss. More specifically, higher betting stakes are associated with greater weight loss. Overall, by placing higher wagers on themselves agents can increase their chances for successful commitment.

2. **THE (GREAT) PERSUASION DIVIDE? GENDER DISPARITIES IN DEBATE SPEECHES & EVALUATIONS**

Huyen Nguyen (Erasmus University Rotterdam and Tinbergen Institute)

Do men and women persuade differently? Are they evaluated differently? Using a unique data set of 1517 verbatim speech transcripts, evaluation scores and administrative data from the well-defined competitive setting of intercollegiate debate tournaments from 2008 to 2018, I investigate linguistic tactics across genders and any ensuing impacts on their performance evaluations. On average, female debaters, especially non-native ones, use less formal, more personal & disclosing style and more hedges & fillers in their speeches. In terms of evaluation, speeches given by women containing more fillers are punished more heavily than those given by men. Importantly, women adopting more analytical styles are punished, whereas such element is rewarded across the board. These results indicate varying acts of influences and evaluation towards men and women in competitive contexts, thus contributing to explaining the role of persuasion tactics in high-ranked career success for women.

3. **THE UNINTENDED CONSEQUENCES OF PAY REPORTING: EVIDENCE FROM AUSTRIA**

Andreas Gulyas, Sebastian Seitz (University of Mannheim), and Sourav Sinha

We study the effects of the 2011 Austrian Pay Transparency Law, which requires firms above a size threshold, to publish reports on the gender pay gap. We exploit the staggered introduction of this policy to study its effects on the gender pay gap and individual wages, using an event study design and the universe of Austrian social security records. We can reject the hypothesis that increasing pay transparency reduces the GPG: The point estimates are positive in post treatment years, yet not significant. We fail to find any evidence that this policy induces firms to bunch around the size thresholds.

SESSION 10

MACRO & LABOR

14:15 – 15:45

SRG 1.023

Chair: Prof. Dr. Philip Jung

1. ON-THE-JOB SEARCH AND THE BUSINESS CYCLE

Felix Bransch (Otto-von-Guericke University Magdeburg)

This paper provides first empirical evidence for the cyclicity in the on-the-job search behavior of workers, using data from the Dutch National Bank Household Survey (DHS), an annual panel survey, and from the OECD, Eurostat, and Statistics Netherlands for the years 1993 until 2018. Overall, on-the-job search intensity is counter-cyclical, although most models assume the opposite. The cyclicity of on-the-job search activity depends on the tenure of workers, being counter-cyclical for workers with short tenure and a-cyclical for workers with long tenure. Workers with short tenure are more likely to search on-the-job and search more intensely in downturns. Furthermore, the findings suggest that the precautionary motive is more prevalent in downturns and improving working conditions in boom periods.

2. HIRING STIMULUS AND PRECAUTIONARY SAVINGS IN A LIQUIDITY TRAP

Rubén Domínguez-Díaz (University of Bonn)

Hiring subsidies have been enacted by several countries during the Great Recession. This paper assesses if such hiring stimulus can be a powerful tool for stimulating employment in a liquidity trap. Towards this end, I build a New Keynesian model with equilibrium unemployment and incomplete markets. Quantitatively, I find that a temporary increase in hiring subsidies reduces unemployment more in a liquidity trap than it does during normal times. Central to this result is the presence of precautionary savings. By stimulating labor demand, hiring subsidies reduce unemploy-

ment risk. To the extent that households need to self-insure, they reduce precautionary savings and increase demand for consumption goods, generating inflationary pressures. At the zero lower bound, higher inflation expectations reduce the real interest rate, further stimulating consumption and hence amplifying the hiring stimulus.

3. MONETARY POLICY AND INCOME INEQUALITY IN THE UNITED STATES: THE ROLE OF LABOR UNIONS

[Josefin Kilman \(Lund University\)](#)

A growing literature investigate the relationship between monetary policy and income inequality. This paper tests whether labor unions influence the impact of monetary shocks on income inequality in the United States over the period 1970-2008. It is the first paper to identify variation in unionization rates as a mechanism through which monetary policy impact income inequality. I measure income inequality and unionization on the state level and can therefore exploit that unionization rates vary both within and across states while monetary shocks are common to all states. The main finding is that contractionary monetary shocks increase income inequality, but the impact is weaker with a higher union density. A one percentage point monetary shock increase Gini with 5.4 % when union density is 5 %, while it increases Gini with 1.7 % when union density is 15 %. I test whether wages and employment are two channels explaining how unions mitigate the monetary policy - income inequality relationship, and find evidence of both. The findings of the channels suggest that unions make the adjustment to monetary shocks more even across workers, rather than mitigating the aggregate effect of the shocks. This shows that the institutional setting of the labor market can impact the relationship between monetary policy and income inequality.

SESSION 11

MONETARY POLICY AND TEXT-MINING

14:15 – 15:45

SRG 1.024

Chair: Dr. Yannick Hoga

1. **EFFECTS OF CENTRAL BANK COMMUNICATION ON MONETARY POLICY TRANSMISSION - A COMPUTATIONAL LINGUISTICS APPROACH**

Maximilian Düsterhöft and [Nora Lamersdorf \(Goethe University Frankfurt\)](#)

Does disagreement among central bankers reduce the effectiveness of monetary policy? Focusing on speeches of FOMC members, this paper attempts to answer this question. Exploiting methods from machine learning and computational linguistics, we select relevant speeches and analyze the tone conveyed both in speeches in general and with regard to specific topics in particular. With the obtained tone measures we distinguish periods of high and low tone divergence in U.S. central bank communication. Using smooth transition local projections, we compare the responses of U.S. government bond yields to monetary policy shocks across high and low tone divergence states and decompose them in their expectations and term premium components. We find that when the communication becomes more heterogeneous, monetary policy indeed loses its ability to steer intermediate and long-term government bond yields. This result is mainly driven by the expectations components of yields. Hence, high tone divergence seems to disrupt the expectations formation regarding the future path of monetary policy. Using Latent Dirichlet Allocation topic modeling methods to split the speeches into different topics, we find that this mechanism becomes more pronounced when policy makers talk about forward-looking topics.

2. ECB ANNOUNCEMENTS AND STOCK MARKET VOLATILITY

Frederik Neugebauer (WHU - Otto Beisheim School of Management)

This paper documents that ECB announcements increase stock market volatility in the euro area (EA). I consider three distinct volatility measures from January 1999 to December 2019. Employing event study methods, I find a stronger impact following the global financial crisis starting in 2007. All assets react similarly so that no national peculiarities arise. The effects also spill over to 11 non-EA markets analyzed.

3. FINANCIAL STABILITY AND THE FED: EVIDENCE FROM CONGRESSIONAL HEARINGS

David-Jan Jansen, Matthias Neuenkirch, and Arina Wischnewsky (University of Trier)

This paper retraces how financial stability considerations interacted with U.S. monetary policy before and during the Great Recession. Using text-mining techniques, we construct indicators for financial stability sentiment expressed during testimonies of four Federal Reserve Chairs at Congressional hearings. Including these text-based measures adds explanatory power to Taylor-rule models. In particular, negative financial stability sentiment coincided with a more accommodative monetary policy stance than implied by standard Taylor rule factors, even in the decades before the Great Recession. These findings are consistent with a preference for monetary policy reacting to financial instability rather than acting pre-emptively to a perceived build-up of risks.

SESSION 12

REGIONAL DISPARITIES: TRADE

17:30 – 19:00

Veranstaltungssaal (IBZ)

Chair: Prof. Dr. Tobias Seidel

1. **THE EFFECT OF GLOBALIZATION ON ELECTION OUTCOMES IN GERMANY: DOES TRADE EXPOSURE AFFECT THE SUCCESS OF THE AfD?**

Maren Kaliske (TU Dortmund University)

In this paper I identify a causal effect of regional trade exposure as well as the disentangled effect of import and export exposure on the electoral success of the AfD in the general elections 2013 and 2017 in Germany. I follow the econometric approach by Autor et al. (2013) and Dippel et al. (2015) of constructing a region-specific index of exposure to trade. By applying the strategy on the electoral success of the AfD I am the first examining the effect of globalisation measured by intensified trade flows on the electoral support for the AfD. Arising endogeneity concerns are taken into account by using an IV approach. The estimated effect indicates that an increase in trade exposure by 100 USD per worker increases the vote share of the AfD by 1.45 percentage points. Adjustments on the labour market as well as the cultural influence of the former GDR are found to be the mechanisms through which the effect is channelled. However, the effect is mainly fostered by sentiments and individual perceptions and do not necessarily result from an actual downturn of the economy.

2. **TRADE ADJUSTMENT: ESTABLISHMENT-LEVEL EVIDENCE**

Ziho Park (University of Chicago)

Using a dataset that covers a near universe of US establishments and firms from 1991 to 2007, I provide a rich body of evidence on how US businesses adjusted to the opening of China, i.e., China shock. First, FDI and international coagglomeration: US public firms that are either upstream or downstream to the directly exposed sector become more likely to

build subsidiaries in China, but not elsewhere. Second, suggestive evidence of offshoring: US manufacturers of products that experienced a higher growth of supply-shock driven imports from China are more likely to become importers and non-manufacturers, which cannot be explained by a viewpoint purely based on import competition. Third, shock propagation and offshoring: Manufacturers of products that are upstream (downstream) to such high-import-growth products became less (more) likely to become importers or non-manufacturers. Fourth, establishments in any position of input-output linkage become more likely to start exporting and switch industries within manufacturing. Fifth, heterogeneous response: the impact of trade shock on export and import participation is more pronounced for businesses with larger worth. To rationalize my findings, I provide a unifying economic story that stresses partial offshoring and avoiding import competition. I argue that US firms' adjustments should be an important factor in assessing the impact of trade war.

3. INTRA-EU SERVICES TRADE AND HETEROGENEOUS OCCUPATIONAL REGULATION - EVIDENCE FROM THE PROFESSIONAL SERVICES SECTOR

Clemens Recker (University of Cologne)

The EU-Commission intends to strengthen the cross-border provision of regulated services through further harmonization of national professional rules. Based on a gravity framework and sector specific trade-data from 23 EU Member States, my empirical findings suggest that remaining differences can be a relevant trade barrier if professionals are subject to different rules in their home country. First, I show that evidence from related literature on positive trade effects of more homogeneous national professional regulation between OECD-economies cannot be replicated and transferred straight away to intra-European trade with professional services. However, I argue that these empirical findings can be driven by inappropriate indicators such as the OECD „Services Trade Restrictiveness Index“ that are used in the literature to capture national differences but fail to cover relevant trade barriers. Second, I propose the existence of a mandatory chamber system as an alternative indicator to capture the central dividing lines of professional regulation across Member States. As a rule, the existence of a chamber system is linked to a different scope of responsibility between professionals and public authorities

- and results, inter alia, in different minimal qualification requirements. In some services sectors, trade-reducing effect of regulatory difference captured in this way have a considerable magnitude: In architectural services, trade rates between two member states with different regulatory systems are estimated to be on average 27.2 per cent lower compared to country-pairs with similar systems. In accounting services, cross-border services provision is on average 24.6 per cent lower.

SESSION 13

REGIONAL DISPARITIES: USING REGIONAL DATA

17:30 – 19:00

Seminarraum 2/3 (IBZ)

Chair: Prof. Dr. Jens Wrona

1. THE EMPLOYMENT EFFECT OF MUNICIPAL CREDIT MARKET DISRUPTIONS: EVIDENCE FROM IDIOSYNCRATIC BANKRUPTCY FILINGS

Daniel Bias and [Lisa Knauer \(TU Munich\)](#)

We show that credit supply shocks to municipalities have a negative effect on non-tradable employment. For identification, we exploit idiosyncratic bankruptcy filings as a disruption of a state's municipal debt market, and ex-ante variation in counties' maturity of long-term debt as exposure to a credit supply shock. The employment effect is not driven by size-specific development of counties or a direct demand spillover of the bankrupt municipality to other counties. We also find no evidence for the propagation of the bankruptcy through banks or firm networks. Consistent with a tightened credit supply to municipalities, we document a decline in expenditures of treated counties.

2. EARTHQUAKE HAZARD, EXPOSURE, AND TIME PREFERENCE: EVIDENCE FROM MEXICO

Pierre-Guillaume Méon, [David Raymaekers \(Université Libre de Bruxelles\)](#), and Robin Rampaer

We provide evidence that people affected by an earthquake report a stronger preference for the present over the future based on a survey of nearly 20,000 Mexican residents. The effect is stronger the larger the number of victims, injuries, and damages, but also for more recent earthquakes. Finally, we observe that behaviors react to earthquakes in a way consistent with the findings on time preferences, as respondents hit by an earthquake tend to save less. Our findings have important implications for public policy as they may consider discounting patterns of people affected by an earthquake after the disaster.

3. RAISING THE STAKES OR SKIPPING CLASS? AGRICULTURAL SHOCKS AND EDUCATION IN 19TH CENTURY GREECE

Pantelis Kammas, [Argyris Sakalis \(University of Sheffield\)](#), and Vasilis Sarantides

During the late 19th century, European vineyards suffered the outbreak of the phylloxera plague, severely affecting wine production. This event increased the demand for importation of products such as raisins, the main exporting product of the Greek economy during that era, which led to a significant increase of both production and exports of raisins for Greece.

We explore the regional variation in raisin production of Greece during the late 19th century, to check how this exogenous event affected determinants of growth, such as human capital. We use a difference-in-differences framework, comparing regions with higher and lower levels of raisin production, as well as changes in their respective agricultural population, to analyse the impact of this agricultural shock on education. The original data sources include historical archives that were digitized, such as population and agricultural censuses, mainly from the Hellenic Statistical Authority.

Our results indicate a negative effect of this shock on male student ratio, but no effect on female ratio, while the overall effect on education appears to be negative. It is one of the first studies analysing how historical aspects of agricultural production in an advanced economy may delayed the transition out of an agricultural economy. This relates to a broader literature interested in the impact of agricultural shocks on the creation of human capital, which is crucial for the transformation of agricultural societies towards industrialization.

While this line of research is closely related to historical research around human capital and long-term growth, there are implications for modern agricultural economies as well. Depending on the magnitude and nature of a shock, households in small agricultural economies may opt out of investment in human capital, even if the nature of the shock is deemed positive (e.g. increased demand), since the immediate gains may appear more important than long term gains. Policy makers should try to assess the impact of each different shock, in order to mitigate potential downsides.

SESSION 14

MACROECONOMICS I

17:30 – 19:00

SRG 1.023

Chair: Prof. Dr. Volker Clausen

1. SPILLOVER EFFECTS OF SOVEREIGN DEBT-BASED QUANTITATIVE EASING IN THE EURO AREA

Matthias Gnewuch (University of Bonn)

This paper develops an identification strategy for asset purchase news and applies it to the Public Sector Purchase Programme, under which the ECB bought large amounts of government debt. The basic idea is to isolate a scarcity premium in sovereign bond yields of euro area countries. Around ECB announcements, the change in bond scarcity measures the direction and amount of news about asset purchases. I find that expansionary asset purchase news reduce sovereign and corporate bond yields and increase stock prices, in line with the portfolio balance channel. Asset purchases also modestly reduce interest rate expectations and strongly depreciate the euro. In addition, I document heterogeneous effects across euro area countries.

Sovereign yields fall most in countries with initially high sovereign yields, while corporate yields fall and stock prices rise most where sovereign yields are initially low. These contrasting distributional effects raise concern about the prevalent view that asset purchases mostly benefit highly indebted countries.

2. THE MACROECONOMIC EFFECTS OF A EUROPEAN DEPOSIT (RE-) INSURANCE SCHEME

Marius Clemens, Stefan Gebauer, and [Tobias König \(DIW and Humboldt-Universität Berlin\)](#)

While the first two pillars of the European Banking Union have been implemented, a European deposit insurance scheme (EDIS) is still not in place. To facilitate the introduction of EDIS, recent proposals argue in favor of a re-insurance scheme. In this paper, we assess the relative efficiency of such a re-insurance scheme in the absorption of macroeconomic and financial shocks. We use a regime-switching open-economy DSGE model with bank default and tight linkages between banks and governments and calibrate the model to match empirical moments for Germany and the rest of the euro area. With an endogenous probability, the national deposit insurance becomes constrained and either EDIS, the national government, or a European fiscal stabilization capacity (EFSC) steps in. We find that with a re-insurance scheme, long term macroeconomic activity can deteriorate if banks' contribution to EDIS is non-deductible and poorly designed. Nevertheless, business cycle fluctuations in response to a country-specific bank risk shock are reduced by half once EDIS is in place, independent of the contribution design. The re-insurance scheme outperforms the EFSC, mainly because deposit risk is only indirectly targeted under the latter framework. This result indicates that EFSC and EDIS are rather complements than substitutes, where the former can provide stabilization in case of country-specific macro shocks while the latter dampens cyclical variations triggered by bank risk shocks.

3. MONETARY POLICY AND TECHNOLOGICAL PROGRESS UNDER NOMINAL RIGIDITIES

[Andre Seepe \(TU Dortmund University and RGS Econ\)](#)

The present paper argues that the relationship between inflation averse monetary policy and medium-run technological progress is a positive one. This is because if the Central Bank decreases the interest rate and generates inflation, this decreases firm markups and makes it less attractive for outside competitors to push into the market with new innovations. This markup effect is stronger than the discounting effect which says that a lower interest rate makes it more attractive to invest in future techno-

logies because of lower discounting. The present paper proposes a model incorporating this markup effect and shows that it is able to match the empirical response of TFP to monetary policy shocks quite well.

SESSION 15

INDUSTRIAL ORGANIZATION

17:30 – 19:00

SRG 1.024

Chair: Prof. Dr. Erwin Amann

1. **TOW BIG BRANDS OR WALK ALONE - THE IMPACTS OF REVIEW SYSTEMS**

Hung-Ni Chen (LMU Munich)

Review systems are ubiquitous in online marketplaces today. We construct a game-theoretic model to study the impacts of review systems on market outcomes. We show that the emergence of review systems changes firms' branding decisions and lowers the value of a brand name. Review systems improve social welfare, but inefficiencies exist partly due to over-production of high-quality products, which is a product of review systems.

2. **ATTENTIONAL ROLE OF QUOTA IMPLEMENTATION**

Sergei Mikhailishchev (CERGE-EI) and Andrei Matveenko

This paper introduces a new role of quotas, e.g., labor market quotas: the attentional role. We study the effect of quota implementation on the attention allocation strategy of a rationally inattentive (RI) agent. Our main result is that an RI agent who is forced to fulfill a quota never hires the candidates without acquiring information about them, unlike an unrestricted RI agent who in some cases bases her decision on prior belief only. We also show that in our context quotas are equivalent to other types of affirmative policies such as subsidies and blind resume policy. We show how our results can be used to set a quota level that increases the expected value of the chosen candidate and also decreases statistical discrimination and discrimination in terms of how much attention is paid to each applicant. At the same time, quota implementation could be destructive if the social planner has imperfect information about the parameters of the model.

3. A GAME-THEORETIC ANALYSIS OF SUPPLY CHANNEL STRUCTURE WITH SEQUENTIAL ENTRY OF MANUFACTURERS

Jin Zhang (RWTH Aachen University)

This study investigates the impact of the timing of manufacturers' market entry to an online market on the performances of all the firms in a supply chain. It considers a multi-echelon supply chain which consists of two manufacturers, who sell differentiated products and compete with each other, and an e-tailer, who sets up the channel structure. More specifically, the paper characterizes equilibria for different channel structures when manufacturers enter the market successively. This analysis of a dynamic game composed of discrete periods provides some useful conclusions for operational decision support. From the perspective of the e-tailer, in any setup considered, playing as an agency seller and charging agency fees gives the highest payoff. From the perspective of the manufacturer, achieving a better profit than the other manufacturer is mostly dependent on the channel structure and the timing of his entry to the market. This study also compares the firms' performances under two different contractual arrangements (with or without long-term contract) and investigates the firms' as well as the whole supply chain's benefit that is related to a change in the contractual arrangements.

**WEDNESDAY
FEBRUARY
19, 2020**

SESSION 16

REGIONAL DISPARITIES: TECHNOLOGY

08:30 – 10:00

Veranstaltungssaal (IBZ)

Chair: Prof. Dr. Tobias Seidel

1. THE LONG-RUN GAINS FROM THE EARLY ADOPTION OF ELECTRICITY

Björn Brey (University of Nottingham)

This paper explores the effect of early access to new technologies on the process of development. This paper establishes that the early adoption of electricity was conducive to economic development in the short-run, but also that the gains of early adoption persisted when electricity access became wide-spread. Exploiting exogenous geographic variation in the potential to produce electricity from water power across Swiss districts during the early phase of electrification, I find that electrification at the end of the 19th century considerably increased the manufacturing employment share. The effect of early access to electricity increases over time and peaks in 1955 despite access to electricity becoming nearly universal by the 1930s. The effect persists up to today with districts which had one standard deviation higher exposure to electricity between 1880-1900 observing a 3% higher industrial employment share in 2011. This long-run effect is driven predominantly by increasing employment in chemical industries which required electricity for many novel production processes. In contrast, the effect on construction and electricity production is only short lived. My analysis further suggests that these gains in local industrialisation are associated with an increase in education, especially in maths as well as geographical and political knowledge, but do not reflect differences in the consumption of electricity in the long run. Further, I find evidence that districts adopting electricity early became more favourable to government expenditure on education and infrastructure as well as taxation. This suggests that new technologies in addition to creating economic growth also alter the political landscape in a way that is in line with the demands for policy created by the new technologies.

2. WHICH FIRMS BENEFIT MOST FROM URBANIZATION? NEW EVIDENCE FROM AN EMERGING COUNTRY

Cuong Hoang Manh (University of Greifswald) and Daniel Schiller

There have been a number of studies on the productivity impacts of agglomeration for developed countries. However, research of this kind, combined with the use of micro panel data, is still rare for emerging and developing nations, where the urbanization growth is often higher, but the average level is lower than it is in high-income countries. This article empirically investigates the effects of agglomeration on firms' productivity using firm-level data from Vietnam – a typical emerging country. Firstly, the total factor productivity of each individual firm in each year is yielded using a semi-parametric approach and by making use of information on electricity consumption. Secondly, firm productivity is regressed on proxies of agglomeration and control variables. Potential issues of self-selection and endogeneity are dealt with using the fixed effects technique and by taking advantage of micro data. Findings show strongly productivity-enhancing influences of local scale and industrial diversity. In addition, while foreign-invested firms are found to benefit most from both inter and intra-industry relationships in local agglomeration, estimates show that privately-owned firms, especially small ones, gain mainly from inter-industry interactions. Private firms even face diseconomies due to local specialization. Finally, several robustness checks demonstrate that the estimated results are robust across various different geographical scales and industrial levels and regardless of whether observations from multi-establishment firms are included.

3. WHO HAS REALLY ACCESS? RAILROADS, GLOBAL CITIES AND INNOVATION IN 19TH CENTURY FRANCE

Georgios Tsiachtsiras (University of Barcelona)

Is the importance of global cities something new in the world or it was always there? In this paper, I unfold the historical transmission of knowledge between the global city of Paris and the rest of the country. I adopt the historical rollout of French railroad to explore the effect of rail access on innovation activity at the commune level. Well connected communes with the global city of Paris witness an increase in their

number of patents the decade the railroad establishes. I enforce my initial results using an instrumental variable approach to take into account the potential endogeneity problem. I find that a decrease in the travelling time of any commune to Paris corresponds to a higher increase in the number of patents. By excluding the big urban centers, my results remain significant which means that the diffusion process is partially driven from the small communes. I test two potential theoretical channels related to easier access to Paris that could affect the innovation activity of the communes. I use a recently released historical rail database of Mimeur et al. (2018) combined with the historical patent database of INPI for France.

SESSION 17

POLITICAL ECONOMY

08:30 – 10:00

Seminarraum 2/3 (IBZ)

Chair: Prof. Dr. Galina Zudenkova

1. **UNEMPLOYMENT: POPULIST VOTE'S MOTTO**

Laura Duthilleul (University of Lille)

Existing literature focuses on one side of populism, either right-wing most of the time or left-wing for some studies and only few studies have confronted the two populism simultaneously. In this paper, we introduce a theoretical model which attempts to explain how unemployment leads a voter to choose a right-wing populist party comparing to a left-wing populist party. By examining three voting steps, we tackle three aspects of unemployment: present unemployment in the Incumbent referendum, accumulated unemployment in the Mainstream Opposition vote and immigration as the voters' explanation of present and accumulated unemployment for the choice between right-wing and left-wing populist parties. We use the French Election Studies dealing with the Presidential Elections from 2002 - first year of the emergence of the National Front in the second round - to 2017 - first year where both right-wing and left-wing populist parties have an electoral success. We conclude that sociotropic present unemployment shifts away populist voters to the Incumbent ; egotropic and sociotropic accumulated unemployment shifts them away to Mainstream Opposition ; finally thinking that immigration is the most important explanation of present and accumulated unemployment leads populist voters to prefer right-wing populist parties rather than left-wing populist parties.

2. LOBBYING ACTIVITY AND THE OUTCOME OF CARTEL ENFORCEMENT

Alexandre Girard, Jean-Yves Gnabo, and [Rodrigo Londoño van Rutten \(UCLouvain Saint-Louis - Bruxelles\)](#)

Designing the appropriate cartel regulation is challenging for policymakers. On the one hand, competition authorities aim at preventing a group of independent firms to coordinate their supply, prices or other policies in order to increase their profit relative to the competitive market situation. On the other hand, imposing cartel sanctions, such as fines, can affect firms' profitability, which can have harmful consequences for employment, investment and economic development in specific areas. Highlighting these adverse outcomes, some firms invest in lobbying activities in order to influence the severity of the punishment. This paper thus investigates to what extent firms' lobbying activities affect the penalties received from public competition authorities. Analyzing the firms sanctioned by the US antitrust Division over the 1998-2011 period, our results indicate that firms engaged in lobbying activities tend to receive a lower penalty.

3. EXIT OR VOICE? POLITICIANS' REACTIONS TO SCANDALS THAT DAMAGE THE PARTY BRAND

Benny Geys and [Nanna Lauritz Schönhage \(Free University of Brussels-VUB\)](#)

How do politicians react to a large-scale scandal involving their colleagues? Theoretically, we argue that politicians have two main options: exit (i.e. leaving the party or politics) and voice (i.e. fight back from within the party). Building on a survey among UK local councilors (N=2133), we first document that voice is more commonly considered than exit. Then, using a between-subject survey-experimental design, we assess the mediating roles of partisanship and scandal type for politicians' response strategy. We show significantly reduced consideration of the exit option when a scandal affects one's own party compared to another party. This counterintuitive result may derive from politicians' in-group loyalty kicking in when their party faces a crisis. We also find that voice – and specifically pointing out similar scandals in other parties – is significantly less likely for moral compared to financial scandals. This suggests the presence of ethical 'red lines' in politicians' response strategies. Both findings are heterogeneous across gender, with men driving the former and women determining the latter.

SESSION 18

MACROECONOMICS II

08:30 - 10:00

SRG 1.023

Chair: Prof. Dr. Ludger Linnemann

1. **HETEROGENEOUS ELASTICITIES OF SUBSTITUTION IN A TANK MODEL AND THE IMPLICATIONS FOR THE PHILLIPS CURVE**

Rahel Braun (University of Basel)

This paper combines two stylized findings from previous literature. On the one hand, it has been observed that the relationship between inflation and economic conditions weakened (the slope of the Phillips Curve is closer to zero). On the other hand, it is well known that inequality within most countries increased in the last decades. In the paper I show that the latter can help explain the first by building a TANK model with the additional assumption that rich households have a lower elasticity of substitution among goods (i.e. they are less price sensitive) than poor households. Hence firms face more demand from low elasticity households if inequality increases, which has a positive effect on markups and translates to a decreasing slope of the New Keynesian Phillips Curve. I also confirm this hypothesis empirically by showing that the slope depends negatively on inequality in the US as well as other OECD countries.

2. **RISING WEALTH INEQUALITY: WHEN R-G MATTERS**

Hoang Khieu (Johannes Gutenberg University Mainz)

We investigate the effects of the gap between the rate of return on wealth and the growth rate, $r-g$, on wealth inequality using a small open economy model featuring labour income heterogeneity and different health types. The health types imply type dependence and scale dependence (Gabaix et al. 2016) while labour income heterogeneity implies a U-shaped effect of $r-g$. Long run wealth inequality is increasing in $r-g$ if there exist good-health types and if $r-g$ is sufficiently larger than a positive threshold,

which is increasing the dispersion of labour income. The share of good-health types and the r - g 's threshold in the Survey of Consumer Finances are 30.5% and 4.4%, respectively.

3. UNCONVENTIONAL MONETARY POLICY AND AUCTION CYCLES OF EUROZONE SOVEREIGN DEBT

R.M.W.J. Beetsma and [Joshua van Spronsen](#) (Amsterdam School of Economics, Tinbergen Institute)

We provide evidence that the ECB's unconventional monetary policy dampens yield cycles in secondary markets for Eurozone sovereign debt around new sovereign debt auctions. This dampening effect tends to be larger when market volatility is higher. Cycles caused by domestic auctions and the role of market volatility are largest for countries with low credit ratings. Auctions by these countries also generate highly-significant auction cycles in other countries. Auction cycles can have a non-negligible effect on debt-servicing costs, but these may be contained by concentrating debt issuance in tranquil periods, and by coordinating auction calendars among countries, so as to maximize the dispersion of auction activity in time.

SESSION 19

APPLIED MICROECONOMICS III

08:30 – 10:00

SRG 1.024

Chair: Dr. Markus Fels

1. **CAN TRANSPARENCY REDUCE NATIONALISTIC BIAS? EVIDENCE FROM THE SPORT OF FIGURE SKATING**

Chui Yee Ho (University of Bonn)

In this paper, I study the effect of a transparency reform in the sport of figure skating that led to a drastic increase in transparency. Prior to the 2016-17 season, the individual scores of judges on the judging panel were published anonymously, so that it is not known which judge gave which score. After the 2016-17 season, all judges' scores were published openly, thus allowing holding the judge accountable for his/her score. Because the reform did not affect a set of events that already published scores openly, I use performances from these events as a control group to study the effect of the reform. I find that, while skaters tend to score slightly higher when they have a compatriot judge on the panel, this compatriot score advantage is not significantly reduced by the reform. However, I find that the dispersion of panel scores decreases after the reform, which is consistent a model where non-compatriot judges compensate for the bias from the compatriot judge by awarding the skater lower scores. Post-reform, the compatriot judge behaves less nationalistically, so that non-compatriot judges award the skater higher scores. While there is no effect on the average panel score, this results in judges awarding more similar scores.

2. ADVERTISING AND CONTENT DIFFERENTIATION: EVIDENCE FROM YOUTUBE

Anna Kerkhof (University of Cologne)

I exploit two institutional features of YouTube's monetization policy to identify the effect of an increase in the technically feasible advertising quantity on the YouTubers' content choice. The analysis of around one million YouTube videos shows that an increase in advertising quantity leads to a twenty percentage point reduction in the YouTubers' probability to duplicate mainstream content. A likely economic mechanism is that mainstream content is covered by many competing YouTubers; hence, viewers who perceive advertising as a nuisance could easily switch to a competitor if a YouTuber increased her advertising quantity. This is less likely, when the YouTuber differentiates her content from her competitors.

3. UNDERSTANDING U.S. CROSS-COUNTY DIFFERENCES IN STOCK MARKET PARTICIPATION: NETWORKS MATTER

Nora Laurinaityte (Goethe University Frankfurt)

This paper exploits the geographic heterogeneity in stock market participation (SMP) rates across the US counties, and the role information sharing through social network plays in explaining this heterogeneity. Using Facebook county-level connectivity data, the US Census Bureau, and the Internal Revenue Services (IRS) information, I find that the traditional determinants of SMP explain the observed cross-county heterogeneity rather well, on average. However, traditional determinants fail to explain SMP heterogeneity across the income distribution. Explanatory power of the empirical model with only the traditional determinants of SMP is particularly low for the income rich households. An empirical model that accounts for county's network, namely when the average SMP rates across the income distribution in the connected counties is included as determinants of SMP, outperforms the traditional framework. SMP rate in the county's network is particularly important covariate of SMP for the high income level households. This finding highlights the importance of social connectivity in household's investment decisions, and improves our understanding of non-participation among wealthy households.

SESSION 20

REGIONAL DISPARITIES: WAGES AND PRODUCTIVITY

10:30 – 12:00

Veranstaltungssaal (IBZ)

Chair: Prof. Dr. Tobias Seidel

1. THE INCIDENCE OF LOCAL PUBLIC GOODS ON WAGES: EVIDENCE FROM GERMANY

Patrick Gauß (University of Münster and RGS Econ), Nadine Riedel, and Martin Simmler

We use rich data on local public good and service (PIGS) provision in Germany to empirically test whether PIGS impact on workers' wages. The effect is theoretically ambiguous: If PIGS raise firm profits, these benefits may partly be passed on to workers through higher wages. If additional PIGS, in turn, attract new resident-workers to a locality, wages may decline. Our empirical results suggest that higher stocks of people public goods lower workers' wages while higher stocks of general public goods rise workers' wages in cities. Quantitatively, the effect turns out to be small, however. Assessing the role of specific PIGS dimensions (targeted at particular household or firm groups) yields results in line with our theoretical considerations. Higher spending on schools, for example, lowers the wages of workers with school aged children.

2. LONG-RUN CONSEQUENCES OF CIVIL WAR IN SIERRA LEONE

Tillman Hönig (London School of Economics and Political Science)

This paper investigates the long-run consequences of the civil war in Sierra Leone from 1991 to 2002. A simple economic geography model sheds light on the responses to different types of shocks that conflict may create. In particular, conflict potentially affects individual sector-specific productivities as well as common location-specific productivities or amenities. Using an instrumental variable strategy with geographic instruments arising as a result of the specific characteristics of the war, I then

estimate reduced form effects on economic outcomes. I find that conflict seems to induce a sectoral shift in the long run: Individuals living in areas that were heavily affected by conflict are considerably more likely to work in agriculture and less likely to engage in non-agricultural activities, in particular services. Income in both agricultural and non-agricultural work is however higher. This sectoral shift is in line with a persistent shock to individual sector-specific productivities and the least productive workers in non-agricultural sectors moving into agriculture to become the highest productivity workers in that sector. Evidence on household expenditures suggests that the overall economic situation of households in conflict-affected areas is worse in the long run. In contrast to effects on sector choice, a lack of population movement in the long run suggests that common location-specific factors are not persistently affected by the war.

3. THE LABOR MARKET EFFECTS OF CROSS-BORDER COMMUTING: EVIDENCE FROM GERMANY

Hannah Illing (Institute for Employment Research (IAB))

This paper investigates cross-border commuting in the context of European integration. Using German administrative data for 2005-2017, I estimate the effect of a large inflow of Czech workers on native employment and wages, following the opening of the German labor market in 2011 for workers from Central and Eastern Europe. Using a difference-in-differences analysis in combination with an event study, I find only moderate negative effects on natives' outcomes.

SESSION 21

LABOR ECONOMICS I

10:30 – 12:00

Seminarraum 2/3 (IBZ)

Chair: Prof. Dr. Ronald Bachmann

1. **TECHNOLOGY, TASKS AND CAREERS: WHAT HAPPENS TO ROUTINE AND ABSTRACT WORKERS**

Femke Cnossen (University of Groningen)

Technological change has raised concerns about the labour market outcomes of workers in routine-intense occupations. This paper adds to the literature on technological change by constructing a novel task-based index of routine intensity. The main advantage of such a measure over those already in use in the literature is its ability to shed light into differences between workers within the same occupations but executing different tasks. Specifically, I am the first to use nationally-representative Dutch survey data to construct a worker-level measure of routine and abstract intensity and merge this information with rich administrative information on employment and earnings. I find that exposure to abstract work is not only associated with high wages but also faster wage growth a decade later. Furthermore, abstract work is associated with less frequent unemployment spells, a lower probability of job switching and working in non-permanent contracts. Notably, the magnitude of the positive wage premium associated with abstract work by far exceeds the wage penalty of routine tasks. This finding implies that workers who can use technology are replacing those who cannot, rather than technology replacing routine workers. My results are broadly robust to using European data and have important policy implications for organizing the future of work.

2. **HETEROGENEITY, EMPLOYMENT AND THE DECLINE OF MANUAL JOBS**

Joana Duran-Franch (Toulouse School of Economics)

I study the effects of the employment decline in manual occupations on labor market outcomes of different demographic groups in the US. Low-educated men were the most directly affected by the decline in manual employment. However, I find (both at an aggregate and at a local labor market level) suggestive evidence that low-educated women have been affected as well: the share of low-educated women employed in interpersonal occupations has decreased in favor of low-educated men during the same period as a consequence. This helps explain the decrease on employment rates of low-educated women, since interpersonal occupations is where most employment opportunities come from for this demographic group. I provide a task-based general equilibrium model with a crowding out mechanism for which the gender wage gap is crucial. I bring the model to the data and I will use it to run counterfactual experiments to understand the role of (i) pro-gender equality measures and (ii) subsidies to college education to tackle structural unemployment.

3. **STRUCTURAL CHANGE REVISITED: SERVITIZATION IN GERMANY**

Dominik Boddin and Thilo Kroeger (Christian-Albrechts University Kiel)

This paper reevaluates structural change in Germany. Using establishment and employer-employee data covering the 1975 to 2014 time period for Germany, we adopt the actual occupation of the worker instead of commonly used employment measurements based on the industry classification of the firm to present new stylized facts on deindustrialization.

We show that structural change in Germany is significantly lower if the employment measure is based on the occupation of the worker. The measure of manufacturing and service employment based on the occupation of the worker deviates remarkably from the employment measure based on the industry classification of the employing establishment, also for empirical applications.

We exemplarily reestimate the effect of trade on manufacturing employment based on the occupation of the worker and cannot identify significant effects contrary to previous findings that identify negative effects of

import exposure on employment in manufacturing industries. In line with this finding, we show that while total employment in the manufacturing sector is shrinking, about 77% of manufacturing jobs that were lost in manufacturing industries between 1975 and 2014 in West Germany are offset by new manufacturing jobs in service industries. Additionally, we document increasing servitization at the establishment level, especially in the manufacturing sector. The share of employees that hold manufacturing occupations declines within establishments in both the manufacturing sector and the service sector. A statistical decomposition shows that structural change is affecting occupations irrespective of the sector or industry the worker is employed at.

SESSION 22

MACROECONOMICS III

10:30 – 12:00

SRG 1.023

Chair: Dr. Boris Blagov

1. REGIONAL PRICE CHANGES AND INFLATION EXPECTATIONS OF HOUSEHOLDS

Elisabeth Falck (Deutsche Bundesbank)

What drives inflation expectations of households? This paper studies the impact of regional price changes on inflation expectations of private households in the United Kingdom. The analysis uses regional price data that underlies the official CPI index and matches it to households' expectations data according to their geographical location. The results show that individual inflation expectations are strongly driven by local prices for food, tobacco/alcohol, rents and restaurant menus. The impact of the prices of different product classes varies with the social status of the household and are in line with the different expenditure shares of food or restaurant visits in the consumption baskets of high- and low-income households. The results suggest that households extrapolate from experienced price changes when they form expectations about future aggregate inflation dynamics.

2. HOUSEHOLD HETEROGENEITY AND THE ADJUSTMENT TO EXTERNAL SHOCKS OF A SMALL OPEN ECONOMY

Julia Otten (Humboldt-Universität Berlin)

This paper studies the impact of an external interest rate shock in a heterogeneous agents small open economy model featuring tradable and non-tradable goods. In addition to idiosyncratic income shocks, I introduce income-dependency of the expenditure share spent on non-tradables as additional dimension of heterogeneity. This is implemented by subjecting the consumption of tradable good to a subsistence level, and calibrated

to match recent empirical evidence showing that the expenditure share spent on non-tradable increases in income. I find that the presence of consumption basket heterogeneity gives rise to a demand- side channel acting as a friction preventing consumption switching from tradable to non- tradable goods. This amplifies the shock's adverse impact as the price of non-tradable goods falls more strongly and the current account widens by more, relative to a representative-agent economy. The two dimensions of heterogeneity make the shock especially welfare-reducing for poor households. First, as they tend to be net borrowers, the increase in borrowing costs sharply decreases their welfare. Second, since they consume relatively fewer non-tradable goods, the decrease in the price of non-tradables makes their consumption basket relatively more expensive.

3. PUBLIC FINANCE SUSTAINABILITY IN EUROPE: A BEHAVIORAL MODEL

Gilles Dufrénot and [Carolina Ulloa Suarez \(Aix-Marseille University\)](#)

This paper investigates the sustainability of public finances in the European countries since 2002. We provide evidence of heterogenous behaviors among the EU countries and show that, even if they had been forced to focus their fiscal efforts on correcting the deviations of debt from their ceiling –through a correcting mechanism such as the recent TSCG rule–, this would not necessarily have changed the likelihood that debt and deficits become more sustainable. Sources of deviations from stable debt and deficits are related to the macroeconomic environment: the interest-growth differential, momentum dynamics in the sovereign bond markets, how markets react to rising debt.

SESSION 23

TIME SERIES ECONOMETRICS

10:30 – 12:00

SRG 1.024

Chair: Prof. Dr. Vasyl Golosnoy

1. **ROBUST INFERENCE IN TIME-VARYING STRUCTURAL VAR MODELS: THE DC-CHOLESKY MULTIVARIATE STOCHASTIC VOLATILITY MODEL**

Benny Hartwig (Goethe University Frankfurt and Deutsche Bundesbank)

It is well-known that the estimated reduced-form covariance matrix of the Cholesky multivariate stochastic volatility model is sensitive to the ordering of variables. However, this property is often ignored in empirical applications. This paper shows that this procedure imposes systematically different dynamic restriction on the covariance matrix when the ratio of reduced-form volatilities is time-varying. Therefore, the choice of the ordering is not negligible and may significantly affect conclusions. This paper illustrates these effects for a small-scale macroeconomic model and proposes the dynamic correlation Cholesky multivariate stochastic volatility model as a robust alternative.

2. **TESTING LINEAR STATE SPACE MODELS**

Vasyl Golosnoy, Steffen Köhler (Ruhr-University Bochum), and Wolfgang Schmid and Miriam I. Seifert

Linear state space models (LSSM) provide a very general framework for modeling multiple time series. We propose a novel test for the validity of a LSSM which is focused on detection of parameter shifts in the given model. We derive the moments as well as the asymptotic distribution of the test statistic, and investigate both size and power of our test in the Monte Carlo simulation study. In the empirical application we, test the validity of LSSMs for daily realized volatility time series.

3. COINTEGRATING POLYNOMIAL REGRESSIONS WITH INTEGRATED REGRESSORS WITH DRIFT: FULLY MODIFIED OLS ESTIMATION AND INFERENCE

Karsten Reichold (University of Klagenfurt and TU Dortmund University) and Martin Wagner

We reconsider fully modified OLS (FM-OLS) cointegrating polynomial regression analysis with respect to integrated regressors that potentially have a non-zero drift, with in general unknown drift parameter. In case the deterministic component and the powers of the integrated regressor share at least one identical power of time, the ensuing asymptotic multi-collinearity needs to be addressed to develop asymptotic theory. This is done, as usual in the unit root and cointegration literature, by an appropriate linear transformation of the stochastic regressors. Although the limiting distribution of the FM-OLS estimator depends on the drift parameter, it still allows for standard asymptotic inference for Wald-type hypotheses tests. Additionally, the limiting distributions of Wald- and LM-type specification and (non-)cointegration tests are derived. The limiting distributions of the (non-)cointegration tests depend on the drift parameter being zero or not. Therefore, wrong critical values might have been used in applications. It is important to note that in case of unknown drift the FM-OLS limiting distribution of the intercept is contaminated by a second order bias term stemming from the fact that the drift parameter is also estimated at rate square root of sample size.

SESSION 24

FINANCE

10:30 - 12:00

Seminarraum 1 (IBZ)

Chair: Prof. Dr. Peter Posch

1. RETAIL INVESTING IN PASSIVE EXCHANGE TRADED FUNDS

Catherine D'Hondt, [Younes El Hichou El Maya \(UC Louvain, LFIN\)](#),
and Mikael Petitjean

Using a large set of trading accounts, we study the determinants of retail investing in passive Exchange Traded Funds (P-ETFs). Controlling for investor characteristics related to their risk-return profile, trading activity, and socio-demographics, we show that the probability and magnitude of P-ETF investing by retail investors can be explained by financial knowledge, financial experience, and behavioral biases such as over-confidence and local bias. We also show that the more active P-ETF users hold a lower number of stocks and modify the composition of their stock portfolio less extensively, pointing to a substitution effect between stocks and P-ETFs.

2. OVERCONFIDENCE AND RISK-TAKING - CONSEQUENCES OF THE FINANCIAL CRISIS AND THE ROLE OF PUBLIC GUARANTEES

[Bernhard Kassner \(LMU Munich\)](#)

Excessive risk-taking in the U.S. financial sector was one of the key reasons for the great financial crisis of 2007-2009. Part of the excessive risk had been driven by managerial overconfidence. In the aftermath of the crisis, financial regulation urged banks to decrease risk incentives. I find a general decrease in volatility and idiosyncratic risk in the U.S. financial sector after the crisis. However, risk decreased more at financial institutions with overconfident CEOs, who followed riskier strategies prior to the crisis. The effect is driven by systemically important institutions suggesting it to be an effect of regulation. Overconfidence-induced risk was higher at these institutions before the crisis suggesting an exploitation of overconfidence due to implicit guarantees.

3. OUT-OF-SAMPLE EQUITY PREMIUM PREDICTION: COMBINATION FORECASTS WITH FREQUENCY-DECOMPOSED VARIABLES

Tobias Stein (Deutsche Bundesbank and Goethe University Frankfurt)

Technical trading rules are widely used by practitioners to forecast the U.S. equity premium. I decompose technical indicators into components with frequency-specific information, showing that all the predictive power comes from periodicities between 16 to 64 months, without any evidence of predictability outside of this frequency band. An investor who only forecasts with these medium-frequency components generates both statistically and economically sizable gains compared to the historical mean and the original technical indicators. The out-of-sample R² is significant for each of the 14 adjusted indicators in the sample. A mean-variance investor who combines individual forecasts from medium-frequency components generates a sizable utility gain of more than 350 basis points relative to the historical mean for the forecasting period from January 1966 to December 2017. This is almost twice as large as utility gains from the historical mean and more than 200 basis points larger than for combination forecasts with unadjusted technical indicators. I show that the substantial gains mainly result from an improved forecasting ability of medium-frequency components during recessions.

SESSION 25

REGIONAL DISPARITIES: POLITICS AND POLICY

14:30 – 16:00

Veranstaltungssaal (IBZ)

Chair: Prof. Dr. Galina Zudenkova

1. **THE PROTECTIONIST ALLIANCE: TRADE UNIONS, THE REPUBLICAN PARTY, AND THE BACKLASH ON GLOBALIZATION**

Michael Blanga-Gubbay (Université Libre de Bruxelles)

I study the political economy of trade agreements focusing on the role played by the losers of globalization. Using a new dataset of lobbying reports, filed under the Lobbying Disclosure Act, I find that opposition to free trade agreements (FTAs) is very rare. Among the different players, the only force opposing the ratification of FTAs are trade unions; firms and firms' associations lobby always in favor of FTAs ratification. Moreover, the amount of money spent by trade unions against the ratification of FTAs seems negligible compared to how much firms spend supporting them. In this paper I show how unions have still retained an important role in the political economy of trade, and I investigate their main channel of political influence. Compared to firms, unions have a comparative advantage in swinging votes. Historically, unions have always supported the Democratic party and its candidates: more than 90% of unions' PAC contributions in the last 30 years were directed to them. By linking campaign contributions and lobbying expenditures I show that unions that strongly opposed globalization are displaying a sharp change in behavior. Unions that lobbied against the ratification of FTAs, started contributing more to the Republican party since Trump presidential campaign. This alliance between unions and the Republicans could help to explain the recent backlash on globalization.

2. SMOOTHING THE WAY OR STIRRING THE POT: THE IMPACT OF FOREIGN AID SHOCKS ON POLITICAL VIOLENCE IN RECIPIENT COUNTRIES

Krisztina Szabó (Central European University)

This paper focuses on the impact of foreign aid as a choice of weapon to prevent violence in poor countries. The general aim is to resolve part of the confusion over how shocks in foreign aid disbursement affect the occurrence of two-sided violence (internal armed conflict), one-sided violence from the government (purges) and one-sided violence from the opposition (assassination, riot and terrorism). Aid dependent, poor countries are especially prone to large aid shocks and are less able to cope with them owing to the lack of necessarily state capacities. The paper conceptualises that the effect of the erratic stream of aid disbursement on violence is conditional upon the accommodative state capacity and thus upon the ability of mobilising portions of the national output to offset the effect of negative aid shock and on the ability of the government to absorb and spend aid effectively come positive aid shock. Using a panel of 108 countries and a two-stage-least-square estimation, a new instrumental variable is proposed based on donors' Gross National Income (GNI) to test the effect of aid shocks on violent attacks for the years 2004 - 2015. The main findings suggest that (1) negative aid shocks increase, while positive aid shocks decrease one-sided violence from the opposition (assassination and terrorism) proving that aid shocks primarily trigger massive social explosion from the population. Further, (2) in countries with weak accommodative capacity, the effect of aid shock on one-sided violence from the opposition is especially large and statistically significant. Finally, (3) aid shock primarily affects violent activities from the opposition and does not trigger non-violent conflicts.

3. “THE MOTHER OF ALL POLITICAL PROBLEMS”? ON ASYLUM SEEKERS AND ELECTIONS

Karen Smith Stegen, Lukas Tomberg (RWI – Leibniz Institute for Economic Research and RGS Econ), and Colin Vance

As immigration to Europe has increased, so has support for extremist parties. While many studies have examined the effect of immigration on election outcomes, few have probed the causal effect of asylum seekers -

those fleeing strife and persecution - on voting, nor has there been much research on the mediating role of local economic conditions. Drawing on county level panel data from Germany, our study fills both gaps. We find that economic circumstances, as measured by the unemployment rate and the level of disposable income, condition voters' responses to the presence of asylum seekers, but the effects for parties on the far right and left diverge markedly. Under economic prosperity, immigration increases support on both sides of the political spectrum. As economic conditions worsen, however, the effect of asylum seekers on the vote share for the far right remains stable, but weakens for the left, eventually becoming negative. This divergence - which has not yet been reported in the literature - suggests that an influx of asylum seekers, particularly when coupled with an economic downturn, could tilt a political system rightwards. From a policy perspective, these results suggest that heterogeneity arising from local economic conditions has important implications for the regional allocation of asylum seekers.

SESSION 26

LABOR ECONOMICS II

14:30 – 16:00

Seminarraum 2/3 (IBZ)

Chair: Prof. Dr. Ronald Bachmann

1. **JOB LOSS EXPECTATIONS - DETERMINANTS OF CHANGES OVER TIME**

Julian Emmler (Humboldt-Universität Berlin) and Bernd Fitzenberger

This paper analyses the factors driving a decrease of the prevalence of job loss expectations using the case of East and West Germany after reunification of the two parts of the country as the empirical setting. We can show that workers in East Germany were substantially too pessimistic in the early years of reunification with respect to their job security and that the subsequent normalization of expectations was in part driven by stabilizing economic surroundings, but mainly by an adaptation of the interpretation of market signals. This adaptation in interpretation seems to be a major factor in the formation of job loss expectations after a negative shock to general job security. Our analysis furthermore suggest that East Germans were able to predict future job loss better than West German workers already shortly after reunification, since they took the additional job loss risk arising from a recent unemployment experience into account when forming job loss expectations.

2. **DETERMINANTS OF INVOLUNTARY PART-TIME EMPLOYMENT IN GERMANY: A MACROECONOMIC ANALYSIS**

Theresa Markefke (University of Cologne) and Rebekka Rehm

In times of economic crisis, employers in the US and UK reduce their employees' working hours, which results in a higher incidence of involuntary part-time work (IVPT). German labor market regulations impede this adjustment mechanism. Against the background of these institutional

differences, we use a panel regression framework that exploits federal state level variation to investigate the influence of cyclical, structural and institutional factors on the incidence of IVPT in Germany. The results are surprising: Both, GDP growth and unemployment, positively affect the share of IVPT in employment. Further analysis shows that the procyclical GDP growth effect is prevalent in more volatile sectors whereas the unemployment effect dominates in other, more stable sectors. Since unilateral downward hours adjustments are precluded, we investigate the relevance of different channels that potentially explain the unemployment effect. We conclude that cyclicalities of IVPT in terms of unemployment mainly stems from changes in labor market power over the business cycle and from differences in dismissal costs between employment groups.

3. DOES ORGANISED LABOUR MATTER? LABOUR MARKET IMPERFECTIONS AND INDUSTRIAL RELATIONS IN GERMANY

Sabien Dobbelaere, Boris Hirsch, Steffen Mueller and [Georg Neuschäffer \(Halle Institute for Economic Research \(IWH\)\)](#)

This paper examines how collective bargaining through unions and workplace co-determination through works councils shape labour market imperfections. Considering two polar cases of wage determination, labour market imperfections result either in a wage mark-up with workers' monopoly power permitting them to push real wages above the marginal product of labour, or in a wage mark-down with employers' monopsony power allowing them to set wages below the marginal product of labour. Based on a large representative sample of German plants for the years 1999-2016, we find that the presence of both industrial relations institutions is associated with a higher probability of a wage mark-up and a lower probability of a wage mark-down. On top of these findings at the extensive margin, both forms of organised labour are accompanied with higher bargaining power of workers and lower monopsony power of employers at the intensive margin, that is, conditional on either getting a wage mark-up or setting a wage mark-down.

SESSION 27

MONETARY POLICY

14:30 – 16:00

SRG 1.023

Chair: Prof. Dr. Ludger Linnemann

1. **MONETARY POLICY UNCERTAINTY AND INFLATION EXPECTATIONS**

Gabriel Arce-Alfaro (University of Duisburg-Essen and RGS Econ)
and Boris Blagov

Do inflation expectations react to changes in the volatility of monetary policy? Yes, but only until the global financial crisis. This paper investigates whether increasing the dispersion of monetary policy shocks, which is interpreted as elevated uncertainty surrounding monetary policy, affects the inflation expectation formation process. Based on U.S. data since the 1980's and a stochastic volatility-in-mean structural VAR model we find that monetary policy uncertainty suppresses both inflation expectations and inflation on average. However, after the Great Recession this link has disappeared, even when controlling for the Zero Lower Bound

2. **MONETARY POLICY, EXCESS RESERVES AND CREDIT SUPPLY: OLD-STYLE VS. NEW-STYLE CENTRAL BANKING**

Mauricio Salgado Moreno (Humboldt-Universität Berlin)

The operational framework in the U.S. changed from a corridor to a floor system in 2008 as a consequence of unconventional policies implemented to mitigate the Great Financial Crisis. In this paper I examine the effects of this switch on the monetary transmission mechanism. Concretely, I analyze if the bank-lending channel changed due to the alterations in the operational system. To this end, I develop a regime-switching TANK model with an interbank market to compare both systems. In line with Bernanke & Blinder (1988), I find that under a corridor system real activity declines after a monetary contraction. However, under a floor system, monetary tightening stimulates credit supply, and hence aggregate de-

mand. The results support the Fed's decision to keep a floor system, since a run on the non-bank money market participants has no consequences for aggregate demand under the new framework. Finally, I assess the Fed's newest plan to increase the level of excess reserves and conclude with a word of caution: under the new system, monetary expansion could affect real economic activity in a contractionary manner.

3. THE EFFECTIVENESS OF CENTRAL BANK PURCHASES OF LONG-TERM TREASURY SECURITIES IN DSGE MODELS: A COMPARATIVE APPROACH

Alina Tänzler (Goethe University Frankfurt) and Volker Wieland

The effectiveness of central bank treasury bond purchases in helping economies to overcome crises is controversially discussed in the research community. This debate mirrors theoretical uncertainty with respect to the structure of DSGE models featuring quantitative easing. In order to investigate the issue of model uncertainty in this context, we employ three New Keynesian DSGE models incorporating asset purchases (Carlstrom et al., 2017; Ellison and Tischbirek, 2014; Gertler and Karadi, 2013) to conduct a comparative analysis. Herein, a policy instrument, which is both model-consistent but also comparable across models is created in order to identify policy implications that are caused by structural settings rather than the type of policy. Between models, we find evidence for substantial variation in the expansionary effect of this policy measure being mainly driven by assumptions on the financial sector and the assumed policy transmission channel. The aggregate effect of QE1, 2 and 3 at its maximum only amounts to 0.5% GDP increase, and a permanently high balance sheet appears to produce an enduring but small GDP excursion through efficient term premium reduction. This finding integrates our research at the lower end of QE efficiency analyses and queries the large investment volume by the central bank. We can further show that balance sheet normalization does not erase the positive stimulation, as it produces only a slight GDP decrease which can be adjusted altering the speed of disposition.

SESSION 28

APPLIED MICROECONOMICS IV

14:30 – 16:00

SRG 1.024

Chair: Prof. Dr. Ansgar Wübker

1. **THE EFFECT OF SHORT-TERM RENTAL PLATFORMS ON RENTAL PRICES: EVIDENCE FROM AIRBNB IN BERLIN**

Felix Mindl (University of Cologne, Institute for Economic Policy)

This article investigates the effect of short-term rental platforms on the housing market, using the explosive growth of Airbnb experienced in Berlin as a case study. To identify a causal effect, I exploit the structure of Airbnb in Berlin and combine a hedonic housing model with a Triple Difference-in-Difference approach. The analysis of six hundred thousand apartments shows that rapid growth of professional Airbnb listings has led to a three percent increase in asking rents in city districts with high Airbnb concentration.

2. **SELECTION OR CAUSATION? THE LONG-TERM EFFECTS FROM HOSPITAL DELIVERIES IN SWEDEN**

Martin Fischer, Martin Karlsson, and Nikolaos Prodromidis (University of Duisburg-Essen and CINCH)

This paper analyzes the long-term effects on mortality and socio-economic outcomes from being born in a maternity ward compared to home births. We focus on two Swedish public health interventions that affected the costs of hospital deliveries and the supply of maternity wards during the 1926–46 period. Using exogenous variation from the supply of maternity wards to instrument on the likelihood of giving birth in an institution, we find that giving birth in a maternity ward has substantial and positive effects on infant survival. Furthermore, we find large and positive effects on later-life outcomes such as educational attainment, earnings and mortality. The positive effects on socio-economic outcomes cannot be fully

explained by increases in selective survival. We argue that a decrease in child morbidity from better treatment in the case of complications could be a likely explanation for the large gains from being born in a hospital. In contrast to an immediate and large take-up in hospital deliveries as response to an increase in the supply of maternity wards, we find no increase in hospital births from the abolishment of fees.

3. UNDER PRESSURE? PERFORMANCE EVALUATION OF POLICE OFFICERS AS AN INCENTIVE TO CHEAT: EVIDENCE FROM DRUG CRIMES IN RUSSIA

Ekaterina Travova (CERGE-EI)

This paper provides an empirical analysis of manipulations of seized drug amounts by police officers, based on a unique dataset that contains full information on drug crimes in Russia reported during 2013-2014. First, using a bunching estimator, I document a significant excess mass of heroin cases above the punishment cliff. The mass is 6.325 times greater than the average number of cases in a counterfactual scenario without manipulation. Next, I employ an event study approach to investigate the incentives for police officers to manipulate and find that the motivation arises from the officers' performance evaluation system. One of the main indicators applied for evaluation is the number of serious and most serious drug crimes, which can be easily increased by moving offenders from below to above the threshold. Exploring the dynamics of this indicator during a calendar year, I document that it increases by 23% in the month when a police station is close to reaching the previous year's level of performance, current target. Comparing the performance evaluation systems of two separate drug control agencies, I find further evidence of this response to performance requirements. Finally, applying a novel bunching technique, I determine that police officers are more likely to manipulate the drug amounts seized from repeat offenders. The overall effect of manipulation on the sentence length of drug users is an additional year of incarceration, which is a 67% increase, compared to the average sentence length without manipulation.

SESSION 29

ENERGY AND RESOURCE ECONOMICS

14:30 - 16:00

Seminarraum 1 (IBZ)

Chair: Prof. Dr. Manuel Frondel

1. THE ROLE OF GOALS IN MOTIVATING BEHAVIOR: EVIDENCE FROM A LARGE-SCALE FIELD EXPERIMENT ON RESOURCE CONSERVATION

Ximeng Fang (University of Bonn)

Goal-setting is ubiquitous in the modern digitized world abundant with quantifiable information about individual behavior. A large literature in psychology demonstrates that goals can motivate effort even when not tied to explicit incentives. Yet, few studies establish the relevance of goals using field evidence, and there is little guidance on how to incorporate goal-setting into economic decision-making and policy frameworks. We provide causal evidence on the impact of goals and feedback on behavior from a field experiment in the context of resource conservation in the shower. We randomly assign exogenous goals coupled with real-time feedback via smart meters and collect fine-grained behavioral measures over a duration of up to 6 months. Our main findings are as follows: (i) while feedback alone already induces large conservation efforts, goal-setting increases this savings effect substantially; (ii) effects remain stable over time; (iii) the relationship between goal difficulty and effort appears to be non-monotonic but reverse U-shaped instead; (iv) hazard rates of individual showers suggest that effort is particularly strong when a goal is in sight (bunching) but quickly dies off as soon as it becomes out of reach. These results are best explained by a fixed-penalty model instead of a loss-aversion-model with goals as reference points.

2. DISTRIBUTIONAL EFFECTS OF CARBON PRICING AND SUBSIDIZATION OF ENERGY EFFICIENCY INVESTMENTS IN THE GERMAN RENTAL SECTOR

Leo Reutter (University of Kassel and Leuphana University Lüneburg)

The German government plans to introduce fiscally neutral carbon pricing with accompanying subsidies in the building sector to increase investment in energy efficiency measures. Previous studies on the ensuing distributional effect have neglected the idea to share the tax burden between landlords and tenants and the intricacies of the landlord-tenant dilemma. This paper models the owner-occupier market for residential buildings and three variations on the rental market: an exclusive rent system without rent control where tenants pay the energy bill, the German tenancy law with rent control to protect incumbent tenants from “excessive” rent increases, and an inclusive rent system where the landlord pays the energy bill. I find that an omniscient state could levy taxes and provide subsidies to incentivize socially optimal energy efficiency investment in all four modelled markets. The exclusive rent system and the German rental market offer tools to control the distributional effects within the rental markets but hold the risk of misaligned incentives between the rental market and the owner-occupier market and require much knowledge and care in the implementation. The inclusive rent system could cause welfare losses due to overconsumption and offers less control for distributional effects, but it better aligns the incentives between the owner-occupier and the rental market and requires less governmental knowledge and thus appears favorable to enable climate protection.

3. INFORM ME WHEN IT MATTERS: COST SALIENCE AND ENERGY CONSUMPTION

Puja Singhal (Free University of Berlin)

This paper investigates whether the timing of annual heating bills matters for heat energy consumption in Germany. The 12-month billing period varies across buildings with a significant share of buildings receiving bills during the summer months, when the salience of heating costs is absent or low. I exploit this within-year natural experiment in billing cycles at the building level to estimate the long-term average treatment effect of

summer accounts on heat energy demanded. Using calendar year billing as the control, I find that buildings receiving heating bills during the summer demand 3 to 5 percent more energy annually. Results also reveal that the treatment effect more than doubles during periods of rising fuel prices and is an increasing function of unemployment rate. Engaging energy users with better information has the potential to achieve economically significant, yet cost-effective, energy savings in the residential sector.





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