Ph.D. Students Seminar

WiSe 2016/17

Department of Economics

The seminar meets on Thursdays, **12:15-13:15** in WiWi 0029. If you have questions regarding the PhD seminar, please contact **Melanie Krause** (melanie.krause@wiso.uni-hamburg.de).

Presenter information: Please keep your presentation under **35 minutes** in order to have enough time for questions and discussions.

Date	Speaker	Title
20.10.16	-	-
27.10.16	Phoebe Wasfy	The impact of fiscal policy on inequality: evidence from the MENA region
03.11.16	Christian Hilpert	The Effect of Risk Aversion and Loss Aversion on Equity-Linked Life Insurance with Surrender Guarantees
10.11.16	Verena Pagels	Cautionary Tales: Celebrities, the News Media, and Usage of Tax Amnesty Programs
17.11.16	Elnaz Roshan	Cost-Risk Trade-off of Solar Radiation Management and Mitigation under Probabilistic Information on Climate Sensitivity
24.11.16	Viktoria Langer	News shocks, nonseparable preferences, and optimal monetary policy
01.12.16	Niklas Wallmeier	The Hidden Costs of Whistleblower Protection
08.12.16	Chunli Cheng	Early Default Risk and Surrender Risk: Impacts on Participating Life Insurance Policies
15.12.16	Stefan Schaefer	Investment and Financing Decisions of Firms
12.01.17	Igor Legkiy	Bidding Rings in Sequentially Optimal Second-Price Auctions
19.01.17	Julius Loermann	The De-Pegging of the EUR/CHF Minimum Exchange Rate in January 2015: Was it Expected?
26.01.17	Siwen Zhou	Sovereign Bond Yields and QE Announcements of the ECB
02.02.17	Ivan Lozev	To Guide or not to Guide? Quantitative Monetary Policy Tools and Macroeconomic Dynamics in China

Abstracts

27.10.16: Phoebe Wasfy, " The Impact of Fiscal Policy on Income Inequality: Evidence from the MENA Region"

In this paper, we investigate the impact of the adopted fiscal policy on income inequality in the MENA region. Using a panel dataset of 127 countries during the period 1990-2011, the obtained results suggest that region's taxation system and composition of expenditures don't exhibit a significant effect in lowering income inequality while non-tax revenues exacerbate it. In contrast, the world sample gives additional evidence that direct taxation and distributive expenditure can reduce income inequality. It also shows that non-tax revenues can improve income distribution conditioning upon the sources of such revenues (i.e. social contribution, fees or resource rent) and the presence of transparency systems and monitoring institutions for tracking state spending.

03.11.16: Christian Hilpert, "The Effect of Risk Aversion and Loss Aversion on Equity-Linked Life Insurance with Surrender Guarantees"

We value equity-linked life insurance contracts with surrender guarantees from the perspective of risk averse and loss averse policyholders in continuous time. With increasing risk aversion, policyholders surrender their insurances for higher values of the underlying equity fund, compared to optimally stopped insurance contracts, leading to substantial losses. Moreover, high discounting amplifies suboptimal surrender. Loss averse policyholders display a different surrender behavior: They surrender only policies for which the surrender benefit represents a large gain, while holding on to unsuccessful contracts, so that the disposition effect increases the contract value relative to a contract stopped by a risk averse policyholder.

10.11.16: Verena Pagels, "Cautionary Tales: Celebrities, the News Media, and Usage of Tax Amnesty Programs"

This study investigates effects of news media on tax payers. Media reports likely affect evaluations of the probability of detection of tax evasion and the severity of penalties, as well as knowledge about legal and illegal behaviors. We compile an original data set for Germany, including regional information on the amounts of tax payers using amnesty regulations to voluntarily disclose taxes they have evaded. The data set also includes counts of news reports published by 6 national and 54 local newspapers, addressing topics related to tax evasion. We exploit exogenous variation in the news coverage resulting from public trials for tax evasion by celebrities to identify the causal effect. According to our baseline specification, instrumental variable estimates indicate that a one standard deviation increase in tax evasion coverage raises the number of self-denunciations by 38%. This finding helps to better understand the effectiveness of tax amnesty programs, and it illustrates the economic implications of publicly trying famous personalities.

17.11.16: Elnaz Roshan, "Cost-Risk Trade-off of Solar Radiation Management and Mitigation under Probabilistic Information on Climate Sensitivity" 1

Solar-radiation management (SRM) could ameliorate the anthropogenic global warming. However, it would be unable to do so simultaneously for other climate variables, particularly for global or regional precipitation. Here, in both global and 'Giorgi'-regional-scale analyses, we evaluate the optimal trade-off between SRM and mitigation under probabilistic knowledge about climate sensitivity. To do so, we apply cost-risk analysis (CRA), which is a decision analytic framework that trades off the expected welfare-loss from climate policies costs against the climate risks of exceeding an environmental target. We generalize CRA for the sake of including not only temperature risk, but also global and regional precipitation risks. Our results show that SRM will be substitute for mitigation in a global analysis, while save only about 2/3 of welfare-loss (in terms of balance growth equivalent BGE) compared to a purely mitigation-based portfolio in regional analysis.

24.11.16: Viktoria Langer, "News shocks, nonseparable preferences, and optimal monetary policy"

Extending and modifying the canonical New Keynesian (NK) model by embedding a nonseparable Jaimovich/Rebelo (2009)-type utility function, this study provides a novel approach to examine the impact of anticipated shocks, called "news shocks", on business cycles. It can be shown that news shocks cause larger economic fluctuations than unanticipated shocks of the same form and thus behave in a welfare-reducing manner. Given this, the paper explores how (optimal) monetary policy should be conducted. In line with earlier studies, the investigation of several Taylor-type interest rate rules shows that the lowest welfare losses can be achieved based on rules that respond to both contemporaneous and expected future macroeconomic conditions.

01.12.16: Niklas Wallmeier, "The Hidden Costs of Whistleblower Protection"

We conduct a laboratory experiment to analyze cooperative behavior in the presence of misbehavior and whistleblowing. Before taking part in a trust game with her employee, a manager has the opportunity to conduct profitable misbehavior at the expense of a third party. Her behavior is observed by the unaffected employee and may be reported to a regulatory agency. We vary the framework with respect to protection and anonymity for the employee in case of report and compare compliance, reporting and cooperative behavior across treatments.

08.12.16: Chunli Cheng, "The Hidden Costs of Whistleblower Protection"

We study risk-neutral valuation of participating life insurance policies with surrender guarantees when an early default mechanism, forcing an insurance company to be liquidated once a solvency threshold is reached before maturity, is imposed by a regulator. The early default regulation affects the contracts' value not only directly via changing the

contracts' payment streams but also indirectly via influencing policyholders' surrender behaviors. In this paper, we endogenize surrender risk by assuming a representative policyholder's surrender intensity bounded from below and from above and uncover impacts of the regulation on the policyholder's surrender decision making. A partial differential equation is derived to characterize the price of a participating policy and solved with the finite difference method. Finally, we discuss impacts of the regulation and insurance company's investment strategies on the policyholder's surrender behavior as well as on the contract value, which are dependent on policyholder's rationality level.

15.12.16: Stefan Schaefer, "Investment and Financing Decisions of Firms"

We investigate the cost of external finance in a stationary equilibrium model with heterogeneous firms. We calibrate the model to a larger set of variables compared to the set that is common to the literature. Thereby, we find that the costs of external finance are very sensitive to profits and the volatility of investment, which have been treated secondarily in other studies. Hence, we introduce capital adjustment costs and fixed costs of production in order to match these moments. The results of the quantitative effects on the costs of external finance are pending.

12.01.17: Igor Legkiy, "Bidding Rings in Sequentially Optimal Second-Price Auctions"

We study collusion among bidders when the seller cannot resist the temptation to re-auction the object that has failed to sell in the past. It is shown that for a sufficiently small length of time between auctions, the lack of commitment reverses the classical results of Mailath and Zemsky (1991). That is, any ex-post efficient collusion requires outside subsidies or involuntary participation, and the seller reacts to such collusion by charging lower reserve prices. However, the classical results survive if the collusion does not distort the intertemporal allocation of the object under competition.

19.01.17: Julius Loermann, "The De-Pegging of the EUR/CHF Minimum Exchange Rate in January 2015: Was it Expected?"

We investigate the credibility of the EUR/CHF one sided target-zone between 2011 and early 2015, also known as the Swiss Franc Floor. To extract market expectations regarding the continued existence of the peg we estimate risk-neutral option implied density functions with over-the-counter market data. These enable us to calculate time series' of break probabilities and higher order moments, which reflect the market views about movements of the underlying exchange rate. In addition we test the out-of-sample forecasting performance of the break probabilities and higher order moments.

26.01.17: Siwen Zhou, "Sovereign Bond Yields and QE Announcements of the ECB"

We study the declines in Euro-area government bond yields that followed the ECB's QE announcements. Based on a dynamic term structure framework, we explore the various transmission channels of QE to Euro-area government bond yields using event study methodology.

02.02.17: Ivan Lozev, "To Guide or not to Guide? Quantitative Monetary Policy Tools and Macroeconomic Dynamics in China"

The paper discusses the macroeconomic effects of using window guidance, i.e. we model the effect of monetary policy on credit supply via window guidance. An open-economy DSGE with a commercial banking sector is employed to study rigorously to what extent non-standard quantitative monetary policy tools can have a stabilizing effect on the economy. We also draw out the implications of quantity-based vs. price-based monetary policy instruments for welfare. These analyses shed light on the preferable design of Chinese monetary policy in the future.