



Fachbereich VWL / Department of Economics

EconNewsletter

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NOVEMBER 23 – NOVEMBER 27, 2015

NEWSLETTER 2015-25

SEMINAR CALENDAR

HCHE Research Seminar

Dr. Alexandra Silbermann, Universität Potsdam:

*Gesundheitsbewusstes Konsumentenverhalten: Theoretische
Konzeption und empirische Analyse*

Monday November 23

16:30–18:00

R. 4011 (Esplanade 36)

Forschungsseminar “Quantitative Wirtschaftsforschung“

Hato Schmeiser, Universität St. Gallen:

*Is Fair Pricing Possible? An Analysis of Participating
Life Insurance Portfolios*

Tuesday November 24

12:15–13:45

R. 0029 (VMP 5)

Forschungsseminar “Environmental Economics and Management“

Sebastian Rausch, ETH Zürich:

*Combining Price and Quantity Controls under Partitioned
Environmental Regulation*

Wednesday November 25

12:00–14:00

R. 0029 (VMP 5)

Hamburg Lectures on Law & Economics

Prof. Dr. Thomas Bernauer, ETH Zürich:

*Selecting Partner Countries for Preferential Trade Agreements
Experimental Evidence from Costa Rica, Nicaragua, and Vietnam*

Wednesday November 25

18:15–19:45

R. 1083a (VMP 5)

PhD Seminar

Maximilian Willner, University of Hamburg:

*The price and emission effects of a market stability reserve
in a competitive allowance market*

Thursday November 26

12:15–13:15

R. 0029 (VMP 5)

Research Seminar “Microeconomics”

Oren Rigbi, Ben-Gurion University of the Negev:

The Economics of Rights:

Does the Right to Counsel Increase Crime?

Thursday November 26

17:00–19:00

R. 0029 (VMP 5)

Research Seminar “Labour Economics”

- no seminar -

ABSTRACTS

Forschungsseminar “Quantitative Wirtschaftsforschung“

Hato Schmeiser, Universität St. Gallen:

Is Fair Pricing Possible? An Analysis of Participating Life Insurance Portfolios

Abstract:

Up to date, the research on participating life insurance has mainly concentrated on the pricing of individual contracts. However, in practice, insurance companies issue many contracts, usually at different inception dates, that are pooled in portfolios of insurance policies. This pooling may generate inter-generational subsidies that are particularly accentuated when the limited liability of the insurer is taken into account. The aim of this paper is to investigate if it is likely to charge fair premiums and simultaneously ensure identical levels of default risk to all generations joining the portfolio. We propose two frameworks of pricing portfolios as well as insurance policies: the basic and the accounting framework. The insurer’s insolvency in the basic framework cannot occur before the date of the first maturity payout. In the accounting framework, the insurer controls for insolvency positions at fixed time steps (yearly) after the first contract is issued. We simulated a portfolio of policies, and we seek for risk management measures, investment strategies and equity contributions, such the portfolio of policyholders could be in total fairly priced. We identified strategies where all policyholders pay fair premiums. In the case of positive probability of default, the basic framework does not allow the insurer to guarantee an equitable default risk (measured by the value of the default put option) for all policyholders. On the contrary, the accounting framework may allow the insurer to adopt particular risk management measures such it charges fair premiums and provide equal costs of default to each policyholder in the portfolio. It is then possible to avoid the inter-generational subsidies and guarantee same default risk under very restrictive conditions of investment risk and equity contribution. However, in general, it is not possible to reconcile the two ideal conditions, fair prices and identical default risk levels, for all the policyholders joining the portfolio of insurance policies.

Forschungsseminar “Environmental Economics and Management“

Sebastian Rausch, ETH Zürich:

Combining Price and Quantity Controls under Partitioned Environmental Regulation

Abstract:

This paper re-visits the fundamental question of combining price and quantity instruments for pollution control in the context of partitioned regulation—a defining feature of real-world environmental policies. We examine whether it is possible to reduce the cost of environmental regulation by designing a hybrid policy that introduces permit price bounds into an emissions trading system (ETS) when the ETS covers only a subset of emission sources and complementary policies are

used to regulate non-covered emissions. If firms' abatement costs are unknown, permit price bounds in the ETS provide in our model a way to hedge against differences in marginal abatement costs across the partitions of environmental regulation. We theoretically characterize ex-ante optimal hybrid policies with price bounds and show such policies can ex-ante never increase the cost of environmental regulation relative to pure quantity controls. Based on a numerical equilibrium model of European carbon abatement, we find that hybrid policies with price bounds reduce the expected cost of achieving a given emissions reduction target by 40-70 percent in comparison to a pure quantity-based policy depending on whether second-best optimal or third-best ("existing EU") policy features are considered. Hybrid policies are also highly likely to bring about costs savings.

Hamburg Lectures on Law & Economics

Prof. Dr. Thomas Bernauer, ETH Zürich:

Selecting Partner Countries for Preferential Trade Agreements - Experimental Evidence from Costa Rica, Nicaragua, and Vietnam

Abstract:

Preferential trade agreements (PTAs) are the most rapidly growing form of trade liberalization in the global economy. One key reason for the proliferation of PTAs is, arguably, that in contrast to the World Trade Organization, they allow for discrimination among potential partner countries. This raises the question which countries are preferred partners for PTAs? On the presumption that public opinion matters for trade policy, both normatively and analytically, we complement existing macro-level research on the subject by studying what types of countries citizens prefer for PTAs. The empirical focus is on developing countries, which are playing an increasingly important role in the expanding global network of PTAs and remain understudied in the micro- and macro-level literature on international cooperation, and trade policy in particular. To account for the multidimensionality of PTA partner country choice, we develop a theoretical framework and test our arguments based on conjoint experiments embedded in national surveys in Costa Rica, Nicaragua, and Vietnam. The results show that, despite starkly differing country contexts, citizens in all three countries opt for similar partner countries. Respondents prefer culturally similar countries, democratic countries, and countries that have high environmental and labor standards, whereas some factors emphasized by macro-level models of trade policy, such as economic size and geographic distance, are of lesser importance.

ACTIVITIES OF DEPARTMENT MEMBERS

New Publications

- Funke, M., Shu, C., Cheng, X. and S. Eraslan (2015): *Assessing the CNH-CNY Pricing Differential: Role of Fundamentals, Contagion and Policy*, Journal of International Money and Finance 59, 245-262.

Miscellaneous

- We welcome Prof. Ralph-Christopher Bayer (University of Adelaide) who will visit the department throughout the whole month of November 2015. His main field of research is Behavioral Economics and he will teach a Ph.D. course on that topic and also give a talk in the microeconomics seminar. Everyone interested can get in touch with him directly via Email to ralph.bayer@adelaide.edu.au
- On Thursday, November 26, Prof. Mathias Erlei (TU Clausthal) gives a speech on
“Österreichische Schule
– Die marktprozess-theoretische Erklärung für Konjunktur und Krise”
His presentation is part of the lecture series „Wirtschafts- und Finanzkrisen aus pluraler Perspektive“, organized by the student’s initiative „Arbeitskreis Plurale Ökonomik“ and starts 6.15 p.m. at ESA B (Edmund-Siemers-Allee 1). For more information please click the link below:
<http://www.plurale-oekonomik-hamburg.de/index.php/category/ringvorlesung-2016/>

The next EconNewsletter will be published on Monday, November 30, 2015.

Editorial deadline: Friday, November 27, 2015.

EconNewsletter

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