



Fachbereich VWL / Department of Economics

# EconNewsletter

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NOVEMBER 14 – NOVEMBER 18, 2016

NEWSLETTER 2016-22

## SEMINAR CALENDAR

### HCHE Research Seminar

Prof. Hartmut Kliemt, Frankfurt School of Finance and Business: Monday November 14  
*Gesundheitsökonomik und -ethik im freiheitlichen Rechtsstaat* 16:30-18:00  
R. 4011 (Esplanade 36)

### Forschungsseminar “Quantitative Wirtschaftsforschung“

Peter Zweifel, Universität Zürich: Tuesday November 15  
*Private production of a public good under the threat of sanction:* 12:15–13:45  
*the importance of type* R. 0029 (VMP 5)

### Forschungsseminar “Environmental Economics and Management“

Niklas Roming, Potsdam Institut für Klimafolgenforschung PIK: Wednesday November 16  
*A new stylized fact on the relationship of economic* 12:15–13:45  
*growth and structure* R. 0029 (VMP 5)

### Hamburg Lectures on Law & Economics

Prof. Georg von Wangenheim, Universität Kassel: Wednesday November 16  
*Failing to Protect the Tenant - Major Capital Improvements* 18:15–19:45  
*and Consequential Rent Increases* R. 1083a (VMP 5)

### PhD Seminar

Elnaz Roshan, Universität Hamburg: Thursday November 17  
*Cost-Risk Trade-off of Solar Radiation Management and* 12:15–13:15  
*Mitigation under Probabilistic Information on Climate Sensitivity* R. 0029 (VMP 5)

### Research Seminar “Microeconomics”

- no seminar -

### Research Seminar “Labour Economics”

- no seminar -

## ABSTRACTS

### **Forschungsseminar “Quantitative Wirtschaftsforschung“**

Peter Zweifel, Universität Zürich:

*Private production of a public good under the threat of sanction: the importance of type*

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*Abstract:*

The private provision of a public good has been an important topic ever since Bergstrom, Blume, and Varian (1986), whose focus is on extrinsic motivation. However, self-determination theory in psychology has long emphasized the role of intrinsic motivation (Ryan and Deci, 2000). While Benabou and Tirole (2003) reconcile the two, they neglect the fact that a public good may be produced at the workplace, which raises three issues. First, employers may not be indifferent with regard to this production because they in fact pay for it as long as it is not detected, causing them to threaten sanction. Second, in the presence of information asymmetry, types become important [Rothschild and Stiglitz (1976); Elanain (2007), Prendergast (2007) in the human resources literature]. Third, in case the public good is free access to IT, it takes on a special significance in view of the contribution of IT to productivity and development (Zhen-Wei Qiang and Pitt, 2004). These issues are addressed in a model of behavior distinguishing three types of open source programmers, with evidence from China suggesting that they may respond not only in quantitatively but also qualitatively different ways to a possible sanction.

### **Forschungsseminar “Environmental Economics and Management“**

Niklas Roming, Potsdam Institut für Klimafolgenforschung PIK:

*A new stylized fact on the relationship of economic growth and structure*

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*Abstract:*

Scenarios of the evolution of GDP, population and other socioeconomic drivers are used to harmonize the assumptions underlying Integrated Assessment Models of Climate Change. Examples of these scenarios are the Shared Socioeconomic Pathway scenarios, which depict country level information on GDP per capita, population, education and urbanization. These scenarios lack information on the underlying economic structure. Economic structure, in turn, is a very important determinant of the level and structure of energy demand, which is very relevant for climate change. We take a closer look at economic structure of countries using WDI data on structural composition. The data shows that for most countries, above a range of industrial value added of 5000–10000 US\$05, growth of industrial value added per capita stagnates. Growth in overall output nearly exclusively comes from the service sector. We use straightforward econometric methodology to disaggregate GDP per capita scenarios into scenarios of value added per capita. In a second stage, we will use this information to determine baseline energy demand pathways and compare them with those in the literature.

## **Hamburg Lectures on Law & Economics**

Prof. Georg von Wangenheim, Universität Kassel:

*Failing to Protect the Tenant - Major Capital Improvements and Consequential Rent Increases*

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### *Abstract:*

Residential rent control in Germany severely restricts landlords from increasing sitting tenants' rents. One exception is that following modernization, rents may be increased up to a fraction of modernization costs. In an effort to alleviate the financial burden of modernizations on tenants, the German government intends to reduce this fraction. We develop a formal microeconomic model to study the effects of this policy. We start with tenants who would never leave the apartment under usual rent control but then extend the model to a positive base rate of tenants moving to other apartments. With the basic model, we get unambiguous results. Reducing the fraction of modernization costs to be added to the rent will induce fewer but more extensive instances of modernization. This results in higher rent increases for tenants in buildings undergoing modernization and more frequent displacement of weak incumbent tenants. The intended reform will therefore fail in achieving its desired effects in the basic model. With a positive base rate of moving, the result persists only under certain conditions, in particular, if incumbent and potential new tenants are not too different. We compare the German rules to those of other jurisdictions to find that many of them are more effecting in achieving the goals of the German reform.

## **PhD Seminar**

Elnaz Roshan, Universität Hamburg:

*Cost-Risk Trade-off of Solar Radiation Management and Mitigation under Probabilistic Information on Climate Sensitivity*

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### *Abstract:*

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.

## ACTIVITIES OF DEPARTMENT MEMBERS

### Miscellaneous

- The European Doctorate in Law and Economics (EDLE) is now open for online applications. Submissions are welcome until February 1st, 2017 at midnight CET.

The EDLE is a three year international doctoral programme of the University of Hamburg in cooperation with the Universities of Bologna, Haifa and Rotterdam. The programme focusses on furthering research in Law and Economics in Europe. Participants of the EDLE are required to spend research time at the Universities of Hamburg, Bologna and Rotterdam, and to participate in courses and seminars. This allows them to acquire profound knowledge in the methods of the economic analysis of law.

The EDLE has always managed to attract the best students from all over the world with current participants coming from 26 different countries. For further information please visit [www.edle-phd.eu](http://www.edle-phd.eu).

*The next EconNewsletter will be published on Monday, November 21, 2016.*

*Editorial deadline: **Friday, November 18, 2016.***

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