



Fachbereich VWL / Department of Economics

# EconNewsletter

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DECEMBER 5 – DECEMBER 9, 2016

NEWSLETTER 2016-25

## SEMINAR CALENDAR

### HCHE Research Seminar

Prof. Friedrich Breyer, Universität Konstanz:

*Alterung und Gesundheitsausgaben: neue Ergebnisse  
für die GKV*

Monday December 5

16:30-18:00

R. 4011 (Esplanade 36)

### Forschungsseminar “Quantitative Wirtschaftsforschung“

Helmut Gründl, J. W.-Goethe Univ., Frankfurt a.M.:

*The Modern Tontine: An Innovative Instrument for Longevity  
Risk Management in an Aging Society*

Tuesday December 6

12:15–13:45

R. 0029 (VMP 5)

### Hamburg Lectures on Law & Economics

Valentin Lang, Universität Heidelberg:

*The Economics of the Democratic Deficit: The Effect of IMF  
Programs on Inequality*

Wednesday December 7

18:15–19:45

R. 1083a (VMP 5)

### PhD Seminar

Chunli Cheng, Universität Hamburg:

*Early Default Risk and Surrender Risk: Impacts on  
Participating Life Insurance Policies*

Thursday December 8

12:15–13:15

R. 0029 (VMP 5)

### Research Seminar “Microeconomics” und Forschungsseminar “Environmental Economics and Management“

Andrew Yates, University of North Carolina:

*Distributional Effects of Air Pollution from Electric Vehicle  
Adoption*

Thursday, December 8

17:15–18:45

R. 0029 (VMP 5)

### Research Seminar “Labour Economics”

- no seminar -

Sollten Sie Interesse haben, sich mit einem/r der Vortragenden zu treffen, wenden Sie sich bitte an den entsprechenden Veranstalter. Weitere Infos finden Sie auf unserer Homepage: <https://www.wiso.uni-hamburg.de/fachbereich-vwl/forschung/forschungsseminare.html>

## ABSTRACTS

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

Helmut Gründl, J. W.-Goethe Univ., Frankfurt a.M.:

*The Modern Tontine: An Innovative Instrument for Longevity Risk Management in an Aging Society*

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*Abstract:*

The changing social, financial and regulatory frameworks, such as an increasingly aging society, the current low interest rate environment, as well as the implementation of Solvency II, lead to the search for new product forms for private pension provision. In order to address the various issues, these product forms should reduce or avoid investment guarantees and risks stemming from longevity, still provide reliable insurance benefits and simultaneously take account of the increasing financial resources required for very high ages. In this context, we examine whether a historical concept of insurance, the tontine, entails enough innovative potential to extend and improve the prevailing privately funded pension solutions in a modern way. The tontine basically generates an age-increasing cash flow, which can help to match the increasing financing needs at old ages. However, the tontine generates volatile cash flows, so that - especially in the context of an aging society - the insurance character of the tontine cannot be guaranteed in every situation. We show that partial tontinization of retirement wealth can serve as a reliable supplement to existing pension products.

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

Valentin Lang, Universität Heidelberg:

*The Economics of the Democratic Deficit: The Effect of IMF Programs on Inequality*

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*Abstract:*

This study investigates the distributional effects of international organizations within their member countries. It addresses the issue empirically by examining the causal effect of International Monetary Fund (IMF) programs on income inequality. Introducing a new instrumental variable for IMF programs, I exploit time variation in the IMF's liquidity and cross-sectional variation in a country's probability of having a lending arrangement with the IMF. Using panel data for 155 countries over the 1973–2013 period, the results show that IMF programs substantially increase income inequality in democracies, while having no such effect in non-democracies. The size of this effect on democracies is smaller the more democratized the IMF's decision-making processes are. These results are consistent with the theory that powerful, 'democratically deficient' international organizations that interfere in domestic politics are capable of restricting the responsiveness of democratic governments to the preferences of their citizens.

**PhD Seminar**

Chunli Cheng, Universität Hamburg:

*Early Default Risk and Surrender Risk: Impacts on Participating Life Insurance Policies*

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*Abstract:*

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.

**Research Seminar "Microeconomics" und  
Forschungsseminar "Environmental Economics and Management"**

Andrew Yates, University of North Carolina:

*Distributional Effects of Air Pollution from Electric Vehicle Adoption*

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*Abstract:*

We examine the distributional effects of changes in local air pollution from driving electric vehicles in the United States. We employ an econometric model to estimate power plant emissions and an integrated assessment model to value damages in air pollution from both electric and gasoline vehicles. Using the locations of currently registered electric vehicles, we find that people living in census block groups with median income greater than about \$65,000 receive positive environmental benefits from these vehicles while those below this threshold receive negative environmental benefits. Asian and Hispanic residents receive positive environmental benefits, but White and Black residents receive negative environmental benefits. In multivariate analyses, environmental benefits are positively correlated with income and urban measures, conditional on racial composition. In addition, conditional on income and urbanization, separate regressions find environmental benefits to be positively related with Asian and Hispanic block-group population shares, negatively correlated with White share, and uncorrelated with Black share. Environmental benefits tend to be larger in states offering purchase subsidies. However, for these states, an increase in subsidy size is associated with a decrease in created environmental benefits.

## ACTIVITIES OF DEPARTMENT MEMBERS

### New Publications

- Langer, V. C. E., Maennig, W. and Richter, F.J. (2016): The Olympic Games as a News Shock: Macroeconomic Implications, accepted for publication in Journal of Sports Economics.

*The next EconNewsletter will be published on Monday, December 12, 2016.*

*Editorial deadline: Friday, December 9, 2016.*

### **EconNewsletter**

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