Fachbereich VWL / Department of Economics

EconNewsletter

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DECEMBER 10 – DECEMBER 14, 2018

SEMINAR CALENDAR

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<td>HCHE Research Seminar</td>
<td>Monday December 10</td>
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<tr>
<td>Prof. Marlies Ahlert, Martin-Luther-Universität Halle-Wittenburg: Cognitive myopia in health decision making</td>
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<td>Forschungsseminar “Quantitative Wirtschaftsforschung“</td>
<td>Tuesday December 11</td>
<td>12:15–13:45</td>
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<td>Paolo Brunori, University di Firenze: The Roots of Inequality: Estimating Inequality of Opportunity from Regression Trees</td>
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<td>Prasenjit Banerjee, The University of Manchester: Politicians and their promises in an uncertain world: Evidence from a lab-in-the-field experiment in India</td>
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<td>Hamburg Lectures on Law &amp; Economics</td>
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<td>Dr. Oren Sussman, University of Oxford: Marketplace Lending, Information Aggregation, and Liquidity</td>
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<td>PhD Seminar</td>
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<td>Heung Chun Tsang, Universität Hamburg: Not All Cities are Alike: House Price Heterogeneity and the Design of Macro-Prudential Policies in China</td>
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<tr>
<td>Research Seminar “Microeconomics”</td>
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<td>Matthias Dahm, University of Nottingham: Sequential Primary Election</td>
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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](https://www.wiso.uni-hamburg.de/fachbereich-vwl/forschung/forschungsseminare.html)
Forschungsseminar “Quantitative Wirtschaftsforschung“
Paolo Brunori, University di Firenze:
*The Roots of Inequality: Estimating Inequality of Opportunity from Regression Trees*

Abstract:
We propose a set of new methods to estimate inequality of opportunity based on conditional inference regression trees. In particular, we illustrate how these methods represent a substantial improvement over existing empirical approaches to measure inequality of opportunity. First, they minimize the risk of arbitrary and ad-hoc model selection. Second, they provide a standardized way of trading off upward and downward biases in inequality of opportunity estimations. Finally, regression trees can be graphically represented; their structure is immediate to read and easy to understand. This will make the measurement of inequality of opportunity more easily comprehensible to a large audience. These advantages are illustrated by an empirical application based on the 2011 wave of the European Union Statistics on Income and Living Conditions.

Environmental and Development Economics
Prasenjit Banerjee, The University of Manchester:
*Politicians and their promises in an uncertain world: Evidence from a lab-in-the-field experiment in India*

Abstract:
To combat with climate risks, India plans to create additional carbon sink by protecting existing and creating new forests and by investing in climate resilience infrastructure in the rural areas through MGNREGS programme. Successful implementation of these programs is dependent on the effort and public spirit of local politicians—as these programs are implemented by local governments comprising of elected local politicians. But such policy outcomes may be diluted by bureaucratic inefficiency, captured by elected or non-elected office holders or by other hurdles. For local citizens, uncertainty about the true cause of such failure often prevails. We examine the performance of and interaction between two mechanisms to mitigate implementation failures and to discipline politicians in a laboratory experiment with local politicians that mimic the decision-making problem faced by them. The first mechanism appeals to honorable conduct and the second one appeals to promise-keeping. In our modified dictator game, nature intervenes with positive probability and randomly allocates the endowment to the dictator (D) or the recipient (R). Our design ensures that a R who receives zero does not know whether nature intervened or not: a D’s selfish allocation can therefore be hidden. In a 2x2 design, we compare four treatments: (1) Ds choose how much to give when they, and not nature, decide the outcome in anonymous setting; (2) add the following to (1): Ds make a non-binding
promise to the Rs before deciding allocation; (3) add the following to (1): Ds can reveal their actions (given the same opportunity of hiding their action) to an audience; (4): identical to (3) with the following add-on: each D’s promise is seen by respective R. While both of our mechanisms have significant positive impact on politicians' prosocial behavior (and thus on citizens' welfare), most striking results are observed in (4)—politicians’ average giving increases to almost 50:50 split and frequency of zero-giving drops significantly. Also, 90% of politicians promise to distribute a positive amount and 81% keep their promise. The observation that politicians make generous promises suggests that they care about their reputation. That politicians keep the same promises is consistent with the finding that they have intrinsic preferences for promise-keeping.

**Hamburg Lectures on Law & Economics**

Dr. Oren Sussman, University of Oxford:  
*Marketplace Lending, Information Aggregation, and Liquidity*

**Abstract:**  
We analyze an electronic peer-to-business lending platform for small-and-medium-sized British companies, operated by Funding Circle. We examine a unique data set of 7,516 auctions involving 34 million orders, containing information on order size, price, time of submission and investors. We find an active price-discovery process that reveals valuable information about the loan's likelihood of default. Nevertheless, information efficiency was not reached. This pricing problem deteriorated over time, and was related to liquidity shocks, particularly when the demand for loans surged. Our findings shed light on the market design of Fintech platforms, and the future viability of auctions.

**PhD Seminar**

Heung Chun Tsang, Universität Hamburg:  
*Not All Cities are Alike: House Price Heterogeneity and the Design of Macro-Prudential Policies in China*

**Abstract:**  
This paper investigates the implementation of regionally differentiated macro-prudential policies in China. In order to assess the relative intensity of the city-level macro-prudential policies over time, we construct a time-varying city-level macro-prudential policy intensity indicator for 70 Chinese cities from 2010-2017. The empirical evidence shows that the Chinese macro-prudential tool-box has gradually evolved towards city-level policies tailored to granular local conditions to mitigate risks.
Abstract:
We examine the incentives of party leaders to establish a sequential or a simultaneous presidential primary process. In our model voting in the primary takes place under the 'shadow' of the general election which creates an important unity-concern in the primary election. We show that the optimal primary arrangement is the result of a trade-off between information aggregation and the ability of the primary to create unity. Unlike in previous work, informative voting is not always an equilibrium of the sequential game and the existence of a sincere voting equilibrium can therefore be seen as the mayor advantage of the simultaneous primary arrangement. However, due to the unity-concern, voters do herd in the sequential game allowing to create unity and to turn out voters in the national election. This ability to 'hide' a 'divided' party and to generate a voting outcome in which the party is 'unified' behind the nominee can be seen as the mayor advantage of the sequential primary process.

ACTIVITIES OF DEPARTMENT MEMBERS

Miscellaneous

- The German research foundation (DFG) is funding the project "Continuous-Time Modeling of Dynamic, Stochastic Equilibrium Models – Theory and Applications" for 3 more years. This project is intended to develop the New-Keynesian model in continuous time to provide new insights on the effects of different monetary interventions and fiscal measures, and their effects on financial markets and the real economy. The focus will be on a joint analysis of fiscal and monetary policy, in particular implementing the fiscal theory of the price level (FTPL), and including financial frictions to develop new strategies for monetary and fiscal policy to cope with future financial crises, or even circumvent them.

The next EconNewsletter will be published on Monday, December 17, 2018. Editorial deadline: Friday, December 14, 2018.

EconNewsletter
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