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Fachbereich VWL / Department of Economics

EconNewsletter

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JANUARY 6 – JANUARY 10, 2020 **NEWSLETTER 2020-1**

SEMINAR CALENDAR

HCHE Research Seminar
Prof. David Crainich PhD, IÉSEG School of Management: — Monday January 6
Intensity of preferences for bivariate risk apportionment — 16:30-18:00
Esplanade 36, R. 4011/13

Forschungsseminar "Quantitative Wirtschaftsforschung"
Zeno Enders, Universität Heidelberg: — Tuesday January 7
Firm Expectations and Economic Activity — 12:15–13:45
R. A215 (VMP 9)

Environmental and Development Economics
Stefan Baumgärtner, University of Freiburg: — Wednesday January 8
Entropic preferences under Knightian uncertainty — 12:15–13:45
WiWi 0079 (VMP 5)

Hamburg Lectures on Law & Economics
Prof. David Stadelmann, University of Bayreuth: — Wednesday January 8
More Federal Legislators Lead to More Resources for Their Constituencies: Evidence from Exogenous Differences in Seat Allocations — 18:15–19:45
R. 110, Johnsallee 35

PhD Seminar
Christian Düben, University of Hamburg: — Thursday January 9
Geography, Institutions and Cities - Insights from Chinese Dynasties — 12:15–13:15
WiWi 2095/2197 (VMP 5)

Research Seminar "Microeconomics"
Shahar Dillbary, University of Alabama: — Thursday January 9
The Case Against Collective Liability — 17:15–18:45
Raum S 28 (VMP 9)

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

Research Seminar “Labour Economics”
- no seminar -

ABSTRACTS

Forschungsseminar “Quantitative Wirtschaftsforschung“
Zeno Enders, Universität Heidelberg:
Firm Expectations and Economic Activity

Abstract:
We assess how survey expectations impact production and pricing decisions on the basis of a large panel of German firms. We identify the causal effect of expectations by matching firms with the same fundamentals but different views about the future. The probability to raise (lower) production is 15 percentage points higher for optimistic (pessimistic) firms than for neutral firms. Optimistic firms are also more likely to raise prices. In a second step, we find optimism and pessimism to matter even if they turn out to be incorrect ex-post. Lastly, we quantify the contribution of incorrect optimism and pessimism to aggregate fluctuations.

Environmental and Development Economics
Stefan Baumgärtner, University of Freiburg:
Entropic preferences under Knightian uncertainty

Abstract:
Decision-making about economy-environment systems is often characterized by deep uncertainties. We provide an axiomatic foundation of preferences over lotteries with known payoffs over known states of nature and unknown probabilities of these outcomes (“Knightian uncertainty”). We elaborate the fundamental idea that preferences over Knightian lotteries can be represented by an entropy function (sensu Lieb and Yngvason 1999) of these lotteries. Based on nine axioms on the preference relation and three assumptions on the set of lotteries, we show that there uniquely (up to linear-affine transformations) exists an additive and extensive real-valued function (“entropy function") that represents uncertainty preferences. It represents non-satiation and (constant) uncertainty aversion. As a concrete functional form, we propose a one-parameter function based on Atkinson's (1970) measure of inequality. We show that the parameter captures the degree of uncertainty aversion.

Hamburg Lectures on Law & Economics

Prof. David Stadelmann, University of Bayreuth:

More Federal Legislators Lead to More Resources for Their Constituencies: Evidence from Exogenous Differences in Seat Allocations

Abstract:

Electoral district magnitude varies across German electoral constituencies and over legislative periods due to Germany's electoral system. The number of seats in parliament per constituency is effectively random. This setting permits us to investigate exogenous variations in district magnitude on federal resource allocation. We analyse the effect of having more than one federal legislator per constituency on federal government resources by exploiting information from 1,375 constituencies from 1998 to 2017. More federal legislators per constituency lead to statistically significantly more employment of federal civil servants. The size of the effect is large and corresponds to about 3.4% of average employment once a constituency is represented by additional legislators from party lists. Numerous robustness tests support our results. Further evidence points to heterogeneity of the effect. In particular, constituencies represented by additional legislators who are experienced and who are members of larger, competing parties obtain more federal resources.

PhD Seminar

Christian Düben, University of Hamburg:

Geography, Institutions and Cities - Insights from Chinese Dynasties

Abstract:

The emergence and growth of cities are shaped by both geographical features and institutional factors with strong history dependence. Yet the precise interplay of these factors is still an open question. We exploit a unique data set on cities in historical China from 221 BCE to 1911 CE, a geographically diverse but centrally governed empire with strong institutional path dependence. Developing both a stylized theoretical model and using machine-learning techniques, we isolate several mechanism between geography, geo-politics and city status. Our preliminary results suggest that geography has a limited direct influence on the location of cities. But for higher-status prefecture seats, there is another, indirect effect operating through geographically determined prefecture borders and a central location within these prefectures. We also find evidence that many historic prefecture seats still enjoy a special status nowadays, underlining the modern relevance of these historical factors.

Research Seminar "Microeconomics"
Shahar Dillbary, University of Alabama:
The Case Against Collective Liability

Abstract:
Legislators, courts, and market players often impose collective liability if they believe that the unidentified culprit is a member of the group. The canonical example is a case like Ybarra—a surgery gone wrong. The court held the entire surgical team liable although it was clear that some were faultless. Surprisingly, despite its ubiquitous nature, the economic literature on collective liability remains sparse. This literature justifies the imposition of collective liability on two grounds. The first is deterrence. The claim is that ex ante the threat of collective liability will incentivize members of the group to cross monitor each other and take care. The second justification is that ex-post collective liability serves an information-forcing function. The argument is that to exculpate themselves, innocent members will produce and divulge information that will identify the true culprit.
Using the same canonical example, this article shows that the economic justifications for collective liability are exaggerated at best and, in some cases, faulty. Specifically, the article reveals that collective liability can incentivize defendants to lie or suppress information that would identify the responsible parties. Collective liability can even erode the incentive to take care, adversely impact activity levels, and reduce the actors' incentive to cross-monitor each other. Moreover, the article shows that collective liability allows service providers to engage in new forms of defensive and offensive practices that to date have gone unnoticed. The article concludes with a proposal that would minimize such strategic behaviors and reduce the determinantal effect of collective liability.

The next EconNewsletter will be published **on Monday, January 13, 2020.**

Editorial deadline: **Friday, January 10, 2020.**

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