Universität Hamburg
DER FORSCHUNG | DER LEHRE | DER BILDUNG

FAKULTÄT
FÜR WIRTSCHAFTS- UND
SOZIALWISSENSCHAFTEN

Fachbereich VWL / Department of Economics

EconNewsletter

Editorial Contact: Michael Paetz
tel: +49 40 42838-5561; e-mail: econ.newsletter.Wiso@uni-hamburg.de

JANUARY 13 – JANUARY 17, 2020 **NEWSLETTER 2020-2**

SEMINAR CALENDAR

Research Seminar "Labour Economics"
Murat G. Kirdar Bogazici, University of Istanbul:
The Impact of Mass Migration of Syrians on the Turkish Labor Market
Monday January 13
16:30-18:00
Esplanade 36, R. 4011/13

Forschungsseminar "Quantitative Wirtschaftsforschung"
Sebastian Ebert, Frankfurt School of Finance & Management:
Skewness Preferences in Theories of Choice under Risk
Tuesday January 14
12:15–13:45
R. A215 (VMP 9)

Environmental and Development Economics
Dan Phaneuf, University of Wisconsin-Madison:
Using urban migration flows to infer nonmarket amenity value
Wednesday January 15
12:15–13:45
WiWi 0079 (VMP 5)

Hamburg Lectures on Law & Economics
Prof. Luca Enriques, Oxford University:
Extended Shareholder Liability for Systemically Important Financial Institutions
Wednesday January 15
18:15–19:45
R. 110, Johnsallee 35

PhD Seminar
Viola van Rienen, University of Hamburg:
Monte Carlo Simulations of Growth Regressions under Multiple Forms of Endogeneity
Thursday January 16
12:15–13:15
WiWi 2095/2197 (VMP 5)

Research Seminar "Microeconomics"
Konrad Stahl, Universität Mannheim:
Trust, Investment and Competition: Theory and Evidence from German Car Manufacturers
Thursday January 16
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

HCHE Research Seminar
- no seminar -

ABSTRACTS

Research Seminar "Labour Economics"
Murat G. Kirdar Bogazici University of Istanbul:
The Impact of Mass Migration of Syrians on the Turkish Labor Market

Abstract:
We estimate the effects of the arrival of 2.5 million Syrian migrants in Turkey by the end of 2015 on the labor market outcomes of natives, using a difference-in-differences IV methodology. We show that relaxing the common-trend assumption of this methodology - unlike recent papers in the same setting - makes a substantial difference in several key outcomes. Despite the massive size of the migrant influx, no adverse effects on the average wages of men or women or on total employment of men are observed. For women, however, total employment falls - which results mainly from the elimination of part-time jobs. While the migrant influx has adverse effects on competing native workers in the informal sector, it has favorable effects on complementary workers in the formal sector. We estimate about one-to-one replacement in employment for native men in the informal sector, whereas both wage employment and wages of men in the formal sector increase. Our findings, including those on the heterogeneity of effects by age and education, are consistent with the implications of the canonical migration model. In addition, increases in prices in the product market and in capital flow to the treatment regions contribute to the rise in labor demand in the formal sector.

Forschungsseminar "Quantitative Wirtschaftsforschung"
Sebastian Ebert, Frankfurt School of Finance & Management:
Skewness Preferences in Theories of Choice under Risk

Abstract:
Skewness preferences — preferences toward low-probability, high-impact risks — were identified as crucial determinants of economic behavior. This paper provides a unified analysis of skewness preferences within leading theories of choice under risk. We show that most theories imply skewness-seeking (i.e., more positive skewness is better), which is consistent with empirical evidence. We further propose a definition of the importance of skewness — the order of skewness preference — for a given theory. We find that skewness is of third-order importance within the expected utility (EU) model with commonly used utility functions, but of first-order importance within most behavioral (non-EU) models. Even when allowing for arbitrary increasing utility functions, we prove that EU cannot induce first-order skewness-seeking. This impossibility result shows that one must depart from the EU paradigm if one believes that skewness is of first-order importance in choice under risk.

Environmental and Development Economics

Dan Phaneuf, University of Wisconsin-Madison:

Using urban migration flows to infer nonmarket amenity value

Abstract:

Since the introduction of the hedonic model, economists have developed increasingly robust methodological tools for inferring the monetary value of regionally varying environmental attributes like climate or air quality. In recent years, national equilibrium sorting models have become a popular alternative to the conventional Rosen-Roback-Albouy framework. In the US context, this class of models typically uses a set of Metropolitan Statistical Area (MSAs) as the objects of discrete choice and explains households' residency in an MSA as a function of wages, housing rents, local amenities, and household characteristics. By observing trade-offs between amenities, wages and rents across the landscape, it is possible to infer the marginal willingness to pay (MWTP) for an amenity based on Tiebout logic. Moreover, these models (i) relax assumptions of free mobility, yielding MWTP estimates that adapt to incomplete amenity capitalization into wages and rents; and (ii) allow for relatively straightforward linear IV strategies when dealing with endogenous amenities.

In this paper, we link the national sorting paradigm to a broader economics literature explaining urban migration patterns. Our model builds from the standard random utility framework, with households selecting their optimal MSA from a choice set of US cities. We innovate by explicitly accounting for households' origin city in the decision-making process. This modification yields a gravity-like estimation structure that nicely accommodates the use of publicly available aggregate- and micro-data. In spatial equilibrium, under the literature's standard baseline assumption of linear-in-variables utility, we derive MWTP for an amenity as a ratio of utility function parameters and the estimated marginal utility of income. Building from the model's novel reliance on both origin and destination for preference revelation (and thus parameter identification), we estimate MWTP for (exogenous) climate elements and (endogenous) air quality using a database constructed from 2012-2016 Census annual migration flow estimates, ACS microdata, and various MSA-level measures of natural and anthropogenic amenities.

In initial analysis, we turn to econometric tools of the trade and international migration literatures: our gravity-like PPML estimation of models using aggregate MSA to MSA counts of migration flows results in average MWTP estimates. We also allow for limited heterogeneity by a city's observable demographic characteristics. Preliminary baseline estimates of average MWTP for climate and air quality are of similar magnitude to previous findings from national sorting models. However, when we allow for heterogeneous migration costs by origin city, our estimates nearly double in magnitude. In line with recent labor and urban economics research highlighting differences in migration frictions across space, our model's results highlight the importance of accounting for cities' "stickiness" or "churn" when inferring nonmarket amenity values.

In ongoing work, we extend this aggregate analysis to the household-level, using a 5-year sample of ACS microdata to model individual households' location decisions. We link the gravity estimation structure of our aggregate analysis to the more conventional approach of previous RUM-based national sorting models. This link allows us to bifurcate household indirect utility functions into (i) an average origin-destination specific component; and (ii) a household-specific component which permits rich heterogeneity in HH income, rent expenditures, and demographic-driven migration costs. We estimate our model by maximum likelihood, nesting a BLP-style contraction mapping inside the procedure to extract a vector of average origin-destination utilities. In the second stage of the model, we run IV regressions of average origin-destination utility on destination amenities and an origin fixed effect, again allowing us to account for spatially heterogeneous migration frictions and endogenous amenities. Using parameters from the first and second stage of our model, we infer MWTP for our amenities of interest, and propose our model as an alternative demand-side base for richer counterfactual migration patterns in a GE setting.

Hamburg Lectures on Law & Economics

Prof. Luca Enriques, Oxford University:

Extended Shareholder Liability for Systemically Important Financial Institutions

---

Abstract:

Regulators generally have tried to address the problems posed by the excessive risk-taking of Systemically Important Financial Institutions (SIFIs) by placing restrictions on the activities in which SIFIs engage. However, the complexity of these institutions makes such attempts necessarily imperfect. This article proposes to address the problem at its very source, which is the incentives that SIFI owners have to push for excessive risk-taking by managers. Building on the traditional rule of "double liability," we propose to modify the current (general) rule limiting the liability of SIFI shareholders to the amount of their initial investments in such companies. We propose replacing the extant limited liability regime with a new system that imposes additional liability over and above what SIFI shareholders already have invested in a pre-set amount that varies with a SIFI's centrality in the financial network. Our liability regime has a number of advantages. First, by increasing shareholder exposure to downside risk, it discourages excessive risk-taking. At the same time, by placing a clearly defined ceiling on shareholders' total liability exposure, it will not obliterate shareholders' incentives to invest in the first place. Second, the liability to which shareholders are exposed is carefully tailored to the level of systemic risk that their institution creates. Thus, our rule induces shareholders to account for the negative externality SIFIs can impose without unduly stifling such financial institutions' role within the financial system and in the wider economy. Third, as the amount of liability is clearly defined ex ante using the rigorous tools of network theory, our rule minimizes the influence of interest groups and the impact of idiosyncratic government decisions. Last, as markets know in advance the amount of liability to which shareholders are exposed, our rule favors the

creation of a vibrant insurance and derivative market so that the risk of SIFIs defaults can be allocated to those who can better bear it.

PhD Seminar
Viola van Rienen, University of Hamburg:, University of Hamburg:
Monte Carlo Simulations of Growth Regressions under Multiple Forms of Endogeneity

---

Abstract:
Monte Carlo simulations of growth regressions have been used to study the performance of alternative dynamic panel estimators in the presence of omitted variables, reverse causality, and measurement error. My research provides four extensions. The physical capital share in factor income rather than the rate of convergence is used as a theoretical point of reference. The three potential sources of bias are considered simultaneously. Instrument reduction techniques for dynamic panel GMM estimators are incorporated. The simulated parameter estimates are compared not only based on the magnitude and bias but also the root mean squared error.

Research Seminar "Microeconomics"
Konrad Stahl, Universität Mannheim:
Trust, Investment and Competition: Theory and Evidence from German Car Manufacturers

---

Abstract:
Based on data from a comprehensive benchmarking study on buyer-supplier relationships in the German automotive industry, we show that more trust in a relationship is associated with higher idiosyncratic investment by suppliers and better part quality--but also with more competition among suppliers. Both associations hold only for parts involving comparatively unsophisticated technology, and disappear for parts involving sophisticated technology. We rationalize all these observations by means of a relational contracting model of repeated procurement with non-contractible, buyer-specific investments. In relationships involving higher trust, buyers are able to induce higher investment and more intense competition among suppliers--but only when the buyer has the bargaining power. This ability disappears when the bargaining power resides with the supplier(s).

The next EconNewsletter will be published **on Monday, January 20, 2020.**

Editorial deadline: **Friday, January 17, 2020.**

EconNewsletter
Department of Economics
University of Hamburg
Von-Melle-Park 5, 20146 Hamburg

To un/subscribe from/to this newsletter, please
send an e-mail to econ.newsletter.Wiso@uni-hamburg.de