Fachbereich VWL / Department of Economics

EconNewsletter

APRIL 26 – APRIL 30, 2021   NEWSLETTER 2021-10

SEMINAR CALENDAR

All seminars listed below will be held virtually this semester.

HCHE Research Seminar

Arthur Attema, Erasmus University Rotterdam: Monday April 26
Reference-dependent discounting of health and money   16:30–18:00
Please register via the following link:
https://www.hche.uni-hamburg.de/en/veranstaltungen/researchseminar.html

Quantitative Economics

Samira Barzin, University of Oxford: Tuesday April 27
Measuring Urban Economics from the Web   12:15–13:30
Please register via the following link:
https://uni-hamburg.zoom.us/meeting/register/tJYvc-itqzgpHNVhBUWXWPX6bv3WwEHioDq5

Hamburg Lectures in Law and Economics

Maribel Sáez, Universidad Autónoma de Madrid: Wednesday April 28
Corporate Groups: Corporate Law, Private Contracting   18:15–19:45
and Equal Ownership
Please confirm your participation by sending a short e-mail to justyn.brockmeyer@ile-hamburg.de .
After confirming your registration you will receive the access information for the seminar on Zoom.

Interdisciplinary Research Seminar

Christian List, Ludwig Maximilian University of Munich: Thursday April 29
The Will of the People Revisited   17:15–18:45
Please register via the following link:
https://www.wiso.uni-hamburg.de/en/forschung/verbundprojekte/rtg-collective-decision-
making/events/register-for-irs-talk.html

ABSTRACTS

HCHE Research Seminar
Arthur Attema, Erasmus University Rotterdam:
Reference-dependent discounting of health and money

Abstract:
Sign-dependence has become a widely established phenomenon in decision making under risk, not only for monetary outcomes but also for other outcomes, e.g. related to health. However, when the prospects involve risk about timing (the time of receipt of outcomes), rather than the outcomes themselves, much less is known about sign-dependence. This study extends discounted utility to incorporate sign-dependence and is the first to test for sign-dependence in timing prospects. Prospects were constructed for two contexts (health and money) and two kinds of outcomes (amount of the outcome and timing of the outcome). For all tasks, a majority of subjects is risk averse for gains and risk seeking for losses, with risk attitudes more mixed for losses. We also observe substantial pessimism with regard to probabilities, and loss aversion for both health and money, and both for risk regarding the outcomes and regarding timing. Therefore, we found substantial empirical support for sign-dependent discounting, both in the monetary and in the health domain. Our results show that psychological biases such as probability weighting and loss aversion are also important, some even more pronounced, when timing is risky.

Quantitative Economics
Samira Barzin, University of Oxford:
Measuring Urban Economics from the Web

Abstract:
Cities in developing countries can be important drivers for economic prosperity but can equally lead to extreme poverty of many when insight and policies are inadequate. Across cities in developing countries, economic activity is often scattered throughout the city without a clear structure leading to enormous economic disadvantages. While there is a young literature relying on satellite imagery to gain insight into urban dynamics, in this project, we propose to overcome this knowledge gap without the noticeable cost burden of satellite imagery by combining spatial data from multiple open access depositories. Within the analysis, we rely on the synergy of computational approaches and (spatial) data science merged with spatial econometrics to gain insight into the distribution of economic activity within cities of the developing world. We use the partial least squares regression approach for dimensionality reduction and we also include a Spatial Durbin model to further explicitly exploit the spatial dependencies in the data. In order

to detect non-linear relationships, we rely on Random Forest regression trees, in both their spatial and non-spatial versions and further employ a generalised linear model in combination with block cross-validation in order to train and predict employment patterns for out-of-sample cities. The results allow us to predict the locations with the highest economic activity within cities with an accuracy of approx. 70% across the models employed. The algorithms produced provide an extremely important tool for policy makers to infl,uence public investment decisions in, e.g. public transportation.

Hamburg Lectures in Law and Economics
Maribel Sáez, Universidad Autónoma de Madrid:
Corporate Groups: Corporate Law, Private Contracting and Equal Ownership

Abstract:
In this paper we provide a simple and general framework that explains the nature of groups, their corporate governance problems and their ownership structures as the result of the double nature of the controlling shareholder in the group as both shareholder and stakeholder of the subsidiary. We use this framework to conduct an economic and empirical analysis that explores the limitations of regulation and shareholders' agreements to deal with this dual nature of the parent. Our analysis is able to explain the extreme ownership structures prevalent across groups as solution of last resort to unresolved corporate governance problems when regulation is inefficient and transaction costs limit the use of contracts to provide shared control. We go on to test these ideas conducting an empirical study that explains groups ownership structures and allows us to derive important policy implications. First, it exposes the structural limitations that corporate law encounters to contain the corporate governance problems of groups. Second, it calls for an acknowledgement of the crucial role of shareholders agreements in corporate governance. Shareholder agreements offer the best alternative to protect parent and subsidiary from mutual opportunism, while preserving the incentives to cooperate. Guarantying the enforceability of these contracts offers jurisdictions the most efficient way forward to reduce expropriation in corporate groups.

Interdisciplinary Research Seminar
Christian List, Ludwig Maximilian University of Munich:
The Will of the People Revisited

Abstract:
The notion of the "will of the people" has long been at the centre of populist conceptions of democracy, but it has taken on renewed salience in recent years, with the rise of populist movements. Ever since the UK's 2016 referendum on leaving the European Union, for instance,

references to "the will of the British people" have been ubiquitous in British politics. Furthermore, the "will of the people" is often simply defined as the will of the majority. However, social choice theorists have long pointed out that this may be incoherent even if all individual wills are coherent – an insight known as Condorcet's paradox. William Riker, in particular, used this insight and its generalizations, such as Arrow's impossibility theorem, to argue that there is no satisfactory definition of the popular will as an aggregate of individual wills. The aim of this paper is to revisit the social-choice-theoretic critique of populism. We first reconstruct Riker's critique in a philosophically more precise and technically upgraded form. And we then extend it, showing that even if we relax a crucial assumption at the heart of Riker's critique – the assumption that the popular will "supervenes" on the individual wills – a more nuanced version of his basic point still stands. The upshot is that most versions of full-blown "realism" about the will of the people are subject to considerable challenges. If one wishes to defend the notion of the popular will at all, one might more plausibly defend a version of it we call "constructivist".

The <u>next EconNewsletter</u> will be published **on Monday, May 3, 2021.**

<u>Editorial deadline</u>: **Friday, April 30, 2021.**