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Fachbereich VWL / Department of Economics

EconNewsletter

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MAY 17 – MAY 21, 2021 **NEWSLETTER 2021-13**

SEMINAR CALENDAR

All seminars listed below will be held virtually this semester.

HCHE Research Seminar
Paolo Pertile, University of Verona: Monday May 17
Strategic interaction in pharmaceutical price regulation and innovation 16:30–18:00
Please register via the following link:
https://www.hche.uni-hamburg.de/en/veranstaltungen/researchseminar.html

Quantitative Economics
Joachim Grammig, University of Tübingen: Tuesday May 18
Theory-Based vs. Machine Learning-Implied Stock Risk Premia 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
Mariana Pargendler, FGV São Paulo: Wednesday May 19
Contract Law and Inequality 18:15–19:45
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.

Microeconomics Seminar
Friederike Mengel, University of Essex: Thursday May 20
Irrational Statistical Discrimination 17:15–18:45
Zoom-Link:
https://uni-hamburg.zoom.us/j/97265167811?pwd=WW05UmowdzZ1V1lQVCswcm45Y0Nhdz09
Meeting-ID: 972 6516 7811
Kenncode: J5MWA!D%

ABSTRACTS

Quantitative Economics
Joachim Grammig, University of Tübingen:
Theory-Based vs. Machine Learning-Implied Stock Risk Premia

Abstract:
We assess financial theory-based and machine learning-implied measurements of stock risk premia by comparing the quality of their return forecasts. In the low signal-to-noise environment of a one-month horizon, it is preferable to rely on a theory-based approach instead of engaging in computer-intensive hyperparameter tuning of statistical models. The theory-based approach also delivers a solid performance at the one-year horizon, at which only one machine learning methodology (random forest) performs substantially better. We also consider ways to combine the opposing modeling philosophies, and identify the use of random forests to account for the approximation residuals of the theory-based approach as a promising hybrid strategy. It combines the advantages of the two diverging paths in the finance world.

Hamburg Lectures in Law and Economics
Mariana Pargendler, FGV São Paulo:
Contract Law and Inequality

Abstract:
Does contract law have any role to play in tackling economic inequality, one of the most pressing problems of our time? The orthodox answer to this question is no: contract law should promote autonomy, efficiency and/or justice in exchange, while distributional objectives should be dealt with exclusively through the fiscal system. Critics of this orthodoxy struggle with the prevailing understanding that contract law around the world has converged on doctrines that are insensitive to distributional considerations. This Article contributes to this debate by showing how courts in South Africa, Brazil and Colombia—prominent developing countries from different legal traditions—have recently diverged from orthodoxy to embrace the task of using contract law to address inequality. The emergence of contract law heterodoxy in developing countries draws attention to the existing, if more limited, instances of heterodoxy in the contract laws of the United States and Europe and to the stakes of contract law more generally. This analysis highlights how mounting inequality may increase the appeal of contract law heterodoxy and suggests that the present reign of contract law orthodoxy is neither universal nor inevitable.

Microeconomics Seminar
Friederike Mengel, University of Essex:
Irrational Statistical Discrimination

Abstract:
Models of statistical discrimination typically assume that employers make rational inference from (education) signals. However, there is a large amount of evidence showing that most people do not update rationally. We use a model and two experiments to show that if employers are naive, in the sense of signal neglect, there is more discrimination than when employers are rational. Such irrational statistical discrimination makes high-skilled workers from disadvantaged groups less likely to pursue education as they anticipate employer naivete. In line with the theory, our data show that excess discrimination caused by employer naivete is especially important when signals are very informative. Out of the overall hiring gap in our data around 40% can be attributed to rational statistical discrimination, a further 40% is due to irrational statistical discrimination, and the remaining 20% is unexplained or potentially taste-based.

The next EconNewsletter will be published **on Monday, May 24, 2021.**

Editorial deadline: **Friday, May 21, 2021.**

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