Fachbereich VWL / Department of Economics

EconNewsletter

JANUARY 9 – JANUARY 13, 2023   **NEWSLETTER 2023-1**

SEMINAR CALENDAR

Quantitative Economics

Stelios Tsiaras, EPFL: Tuesday January 10

Active and Passive (Un)conventional Monetary and Fiscal Policies for   12:15–13:30

Debt Stability   R. 0079 (VMP 5)

This seminar will also be live streamed. For participation via Zoom please register via the following link:

https://uni-hamburg.zoom.us/meeting/register/tJYvc-itqzgpHNVhBUWXWPX6bv3WwEHioDq5

Environmental and Development Economics

Lutz Sager, Georgetown University: Wednesday January 11

Clean Identification? The Effects of the Clean Air Act on Air Pollution,   12:15–13:45

Exposure Disparities and House Prices   R. 0079 (VMP 5)

Hamburg Lectures in Law and Economics

Gunes Gokmen, Lund University: Wednesday January 11

Traditional Norms and Parental Investment in Human Capital   18:15–19:45

                                                    R. 110 (Johnsallee 35)

This seminar is held in a hybrid format. To register for **Online participation** via Zoom please click the following link and fill in the necessary information: https://ile-hamburg.us5.list-manage.com/track/click?u=a3a598540658d2c2aadfae5b6&id=ef30ffce7b&e=3446e273d6 or send an email to yasmin.seyrafian@ile-hamburg.de. You will then receive an Email with the access link prior to the lecture.

PhD Seminar

Sebastian Golder, Hamburg University: Thursday January 12

Present Bias and Mortgage Refinancing Decisions   12:15–13:00

                                                    R. 0079 (VMP 5)

Microeconomics Seminar

<u>Georg Kirchsteiger, Universite libre de Bruxelles:</u>

Does voluntary information disclosure lead to less cooperation than mandatory disclosure? Evidence from a sequential prisoner's dilemma experiment

Thursday January 12
17:15–18:45
R. 0079 (VMP 5)

ABSTRACTS

Quantitative Economics

Stelios Tsiaras, EPFL:

Active and Passive (Un)conventional Monetary and Fiscal Policies for Debt Stability

Abstract:

Since COVID-19 pandemic there is an unprecedented increase in social insurance transfers both in the EA and the US. In this paper, we explore different fiscal and monetary strategies in times of large debt accumulation. We build a New Keynesian DSGE model with household heterogeneity, financial frictions, nominal rigidities, and an unconstrained central bank that can purchase bonds in exchange of reserves. We identify QE as a potential tool for debt stabilization. Profits earned from the bonds-reserves spread can be remitted from the central bank to the treasury and can be a substantial fiscal revenue. We analyse and compare QE as a debt stabilization tool versus government spending and taxation changes under an active (conventional) monetary policy and a passive monetary policy framework.

Environmental and Development Economics

Lutz Sager, Georgetown University:

Clean Identification? The Effects of the Clean Air Act on Air Pollution, Exposure Disparities and House Prices

Abstract:

We assess the U.S. Clean Air Act standards for fine particulate matter (PM2.5). Using high-resolution data, we find that the 2005 regulation lowered PM2.5 levels by $-0.4\mu m^{-3}$ over five years, with larger effects in more polluted areas. Standard difference-in-differences overstate these effects by a factor of three because time trends differ by baseline pollution, a bias we overcome with three alternative approaches. We show that the regulation contributed to narrowing Urban-Rural and Black-White PM2.5 exposure disparities, but less than difference-in-differences suggest. Pollution damages capitalized into house prices, on the other hand, appear larger than previously thought when leveraging regulatory variation.

Hamburg Lectures in Law and Economics
Gunes Gokmen, Lund University:
Traditional Norms and Parental Investment in Human Capital

Abstract:
Cultural norms may influence parental behavior that shapes children's human capital. We study the effect of traditional norms on parental investment in human capital using recent survey data from Tanzania. Our novel data allow us to capture detailed parental investment behavior, such as time and attention devoted to children's learning. We focus on two dominant forms of traditional kinship norms in developing countries --matrilineal and patrilineal kinship norms. Employing a spatial fuzzy regression discontinuity design, we find that matrilineal parents invest less in their children's human capital. They spend less time and attention on their children's learning and are less likely to sign up their children for preschool, private school, and primary school. Lower parental investment by matrilineal parents is reflected in the poorer cognitive skills of their children, captured by standardized test scores on numeracy and literacy. We further explore various mechanisms and the effect of a nationwide policy reform that was intended to undo traditional norms.

PhD Seminar
Sebastian Golder, Hamburg University:
Present Bias and Mortgage Refinancing Decisions

Abstract:
This paper solves the optimal mortgage refinancing problem of a household with present-biased time preferences. The behavioral refinancing model features inattention of households to mortgage rates. I estimate the model based on Danish administrative data, showing that the model can endogenously explain delays in mortgage refinancing. I find substantial evidence of present bias of households, with the average household having a short-term discount factor of beta=0.39. Older, less-educated, and financially wealthier households exhibit stronger present bias, whereas higher income and housing wealth, as well as financial literacy, reduce this behavioral bias. Implications for the refinancing channel of monetary policy transmission are discussed.

Microeconomics Seminar

Georg Kirchsteiger, Universite libre de Bruxelles:

Does voluntary information disclosure lead to less cooperation than mandatory disclosure? Evidence from a sequential prisoner's dilemma experiment

Abstract:

In sequential social dilemmas with stranger matching, initiating cooperation is inherently risky for the first mover. The disclosure of the second mover's past actions may be necessary to instigate cooperation. We experimentally compare the effect of mandatory and voluntary disclosure with non-disclosure in a sequential prisoner's dilemma situation. Our results confirm the positive effects of disclosure on cooperation. We also find that voluntary disclosure is as effective as mandatory one, which is surprising given the past literature. With voluntary disclosure, second movers with a good track record decided to disclose because they expect that not disclosing signals non-cooperativeness. Indeed, first movers interpret non-disclosure as a signal of non-cooperativeness and therefore cooperate less than half as often when the second mover doesn't disclose.

ACTIVITIES OF DEPARTMENT MEMBERS

New Publications

- **Schmidt-Trenz, Hans-Jörg (2023),** "Institutionenökonomik. Theorie der Governance", Vahlen, München 2023, ISBN 978-3-8006-7076-5

Miscellaneous

- **DFG Projekt (Nr. 510995673): Fiskalpolitik in Modellen mit heterogenen Agenten**
  Die am häufigsten verwendeten Modelle zur Analyse von fiskalpolitischen Maßnahmen basieren auf repräsentativen Agentenmodellen. Die Finanzkrise 2008 sowie die Auswirkungen der Corona-Krise seit 2020 haben deutlich die Nachteile dieses vereinfachten Ansatzes zur Analyse von staatlichen Interventionen und Modellierung von Konjunkturzyklen aufgezeigt. Während der anhaltenden Corona-Krise wurden zudem weitere Ungleichheiten deutlich, welche nicht durch gegenwärtige Arbeitsmodelle in der Makroökonomik modelliert werden können. Das Forschungsprojekt entwickelt neue makroökonomische Modelle und Lösungsmethoden, wobei insbesondere Verteilungseffekte berücksichtigt werden können. Die heterogenen Agentenmodelle können einen Beitrag leisten, die Effekte von Politikmaßnahmen zu quantifizieren und neue Wirkungskanäle aufzuzeigen.

The <u>next EconNewsletter</u> will be published **on Monday, January 16, 2023.**

<u>Editorial deadline</u>: **Friday, January 13, 2023.**

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