



Fachbereich VWL / Department of Economics

EconNewsletter

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

JUNE 12 – JUNE 16, 2023

NEWSLETTER 2023-14

SEMINAR CALENDAR

Quantitative Economics

[Philippe Van der Beck, EPFL Lausanne:](#)

Flow-Driven ESG Returns

Tuesday June 13

12:15–13:30

R. 0079 (VMP 5)

Hamburg Lectures in Law and Economics

[Francesco Parisi, University of Bologna and University of Minnesota:](#)

Information-Forcing Effects of Non-Disclosure Rules

Wednesday June 14

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=ee0daf9e3c&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.

Microeconomics Seminar

[Thomas Dohmen, Universität Bonn:](#)

Worker Representatives

Thursday June 15

17:15–18:45

R. 0079 (VMP 5)

ABSTRACTS

Quantitative Economics

Philippe Van der Beck, EPFL Lausanne

Flow-Driven ESG Returns

Abstract:

I show that the returns from sustainable investing are strongly driven by price pressure from flows towards sustainable funds, causing high realized returns that do not reflect high expected returns. Using a structural model, I estimate investors' ability to accommodate the demand from sustainable funds, which is given by their elasticity of substitution between stocks. I show that every dollar flowing from the market portfolio into sustainable mutual funds increases the aggregate value of green stocks by \$0.4. The price pressure from flows supports the effectiveness of impact investing by lowering green firms' cost of capital. In the absence of flow-driven price pressure, sustainable funds would have underperformed the market from 2016 to 2021. To this end, I develop a new measure of total capital flows into managed portfolios. The price pressure from total ESG flows is highly correlated with empirically observed returns, both in the time-series and in the cross-section. I support the structural estimates with reduced-form evidence, showing that index inclusions and mandate-driven portfolio additions by sustainable mutual funds significantly boost the prices of green stocks.

Hamburg Lectures in Law and Economics

Francesco Parisi, University of Bologna and University of Minnesota

Information-Forcing Effects of Non-Disclosure Rules

Abstract:

Contract law traditionally applies different disclosure duties on buyers and sellers. Sellers are generally required to disclose “negative” information about hidden defects of the products they sell. Failure to disclose can make the contract voidable and can give rise to liability. By contrast, buyers are generally under no comparable duties to disclose “positive” information about hidden qualities of the products they buy. The leading explanation for the disparate treatment of buyers and sellers in these two asymmetric information problems is that disclosure duties on buyers would undermine their incentives to acquire costly (but socially useful) information prior to the contract (Kronman, 1978). The missing step in this explanation is the realization that by failing to correct asymmetric information problems, the inverse adverse selection problem, identified by Burckart and Lee (2016) and Dari-Mattiacci et al. (2021), would arise. Further, uninformed sellers would withdraw from the market and resources would not move to higher valuing uses. In this paper, we develop a model to study the incentives created by disclosure and non-disclosure rules. We show that when parties can contract around defaults, the choice of alternative disclosure rules (duty to disclose vs. no duty to disclose) makes a difference. Unlike disclosure rules, non-disclosure default rules yield partially separating equilibria that preserve the

buyers' incentives to acquire information. They also foster trade opportunities between expert buyers and uninformed sellers. Our results add to the existing literature by providing an additional rationale for the different treatment of buyers and sellers in asymmetric information problems.

Microeconomics Seminar

Thomas Dohmen, Universität Bonn

Worker Representatives

Abstract:

We study the selection of worker representatives and how representation affects worker outcomes. We focus on the case of powerful German works councils. These shop-floor representatives are elected from the workforce and have broad authorities. We paint a comprehensive picture of representatives' characteristics spanning a period of more than forty years, combining rich administrative panel and representative survey data. Contrary to other domains of power where blue-collar workers are often underrepresented, we document that blue-collar workers have been proportionally represented among works councilors for the past four decades. Although in the 1970s and 1980s, men with vocational training were highly overrepresented among councilors, we observe a secular convergence over time, resulting in almost proportional representation along these dimensions today. Our findings reject theories of adverse selection and instead indicate that worker representatives are positively selected in terms of their earnings and person-fixed effects. They tend to have more extroverted, more open, and less neurotic personalities, and show greater interest in politics while leaning left politically, compared to the populations they represent. Drawing on event study designs around scheduled works council elections, as well as an instrumental variables strategy building on representatives retiring, we study the effects of blue-collar representation on worker outcomes. We find that electing blue-collar representatives protects workers from involuntary layoffs and leads to small increases in wages and apprenticeship training. Our results align with the idea that blue-collar representatives place greater emphasis on job security, in line with higher worries about layoffs and risk of unemployment faced by blue-collar workers.

ACTIVITIES OF DEPARTMENT MEMBERS

New Publications

- **Howard, P.H., Sarinsky, M., Bauer, M., ..., Drupp, M., ..., & Wagner, G. (2023)** “US benefit-cost analysis requires revision”, *Science* 380, 803-803, DOI:10.1126/science.adi5943
- **Nesje, F., Drupp, M.A., Freeman, M.C., & Groom, B. (2023)** “Philosophers and economists agree on climate policy paths but for different reasons”, *Nature Climate Change*, <https://doi.org/10.1038/s41558-023-01681-w>

The next EconNewsletter will be published on Monday, June 19, 2023.

Editorial deadline: Friday, June 16, 2023.

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

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