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Fachbereich VWL / Department of Economics

EconNewsletter

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DECEMBER 11 – DECEMBER 15, 2023 **NEWSLETTER 2023-27**

SEMINAR CALENDAR

Quantitative Economics
Michael Graber, Statistics Norway and University of Oslo: Tuesday December 12
Behavioural Responses to Income Taxation in Norway 12:15–13:30
R. 0079 (VMP 5)

Hamburg Lectures in Law and Economics
Diego Valiante, University of Bologna: Wednesday December 13
The Last Days of Credit Suisse: Banking Crisis 18:15–19:45
R. 1083a (VMP 5)

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=b311cd1227&e=3446e273d6 or send an email to larapazer@gmail.com. You will then receive an Email with the access link prior to the lecture.

PhD Seminar
Xenia Fee Breiderhoff: Thursday December 14
New Evidence on Price Effects of Transparency Regulations 12:15–13:00
in European Fuel Markets R. 0079 (VMP 5)

Microeconomics Seminar
Fabian Herweg, Uni Bayreuth: Thursday December 14
Do Zombies Rise when Interest Rates Fall? A Relationship Banking Model 17:00–18:30
R. 0079 (VMP 5)

ABSTRACTS

Quantitative Economics
Michael Graber, Statistics Norway and University of Oslo:
Behavioural Responses to Income Taxation in Norway

Abstract:
In this report, we combine theory and empirical estimates for how labor earnings respond to changes in tax rates and unearned income. We use lottery winnings to obtain variation in unearned income and tax reforms to obtain variation in the net of tax rate. Combining this information with measures of extensive margin responses and the progressivity of the Norwegian income tax schedule, we are able to point identify uncompensated and compensated behavioral responses to income taxes and therefore to calculate efficiency losses and optimal income tax rates (for given welfare weights).

Hamburg Lectures in Law and Economics
Diego Valiante, University of Bologna:
The Last Days of Credit Suisse: Banking Crisis

Abstract:
On 19th March 2023, the 167 years of history of Credit Suisse (CS) as a stand-alone bank came to an end. Over the weekend, the Swiss regulators, led by FINMA, put forward a series of acts (including a new law) to push CS and UBS to agree on a voluntary merger. The actions of the supervisors, which included a write-down of Additional Tier 1 (AT1) capital through a newly crafted ‘early intervention power’ to FINMA and guarantees to offer some protection to UBS for losses on CS’s assets, came as a surprise for AT1 noteholders and everybody else. While triggering ‘going concern’ capital without wiping out shareholders is indeed a contractual possibility, the discretionary acts taken by the Swiss supervisor and legislator to trigger the write-down have left a dent in the credibility of banking supervisors and have raised key legal and economic questions about the use of 'discretionary triggers' without limitations. Finally, international standards on contingent capital have so far not sufficiently addressed the issue of discretionary triggers and how to better frame their use to achieve more predictable outcomes.

PhD Seminar
Xenia Fee Breiderhoff:
New Evidence on Price Effects of Transparency Regulations in European Fuel Markets

Abstract:
This paper analyses the impact of transparency regulations on gasoline and diesel prices in Austria, France and Germany to shed some new light on the price effects of regulatory measures. To identify the effects of regulation, we use publicly available data from January 2005 to the end of December 2019 and estimate synthetic difference-in-difference models. Overall, we find only little evidence for any price-reducing effect. In France, prices did not change significantly, neither economically nor statistically. Prices in Austria and Germany decreased in the short term but only to a minor extent. Therefore, we conclude that the implemented transparency regulations did not result in long-lasting lower prices, contrary to the desired outcome of the policy measure.

Microeconomics Seminar
Fabian Herweg, Uni Bayreuth:
Do Zombies Rise when Interest Rates Fall? A Relationship Banking Model

Abstract:
A relationship bank or market investors finance an entrepreneur's risky project. Different from investors, the bank can identify and liquidate bad projects at an interim stage. If the entrepreneur can provide only limited capital, the optimal loan contract induces an inefficient continuation decision, i.e., the bank engages in zombie lending. In the short run -- for a given contract -- the bank's incentive to roll over bad loans enhances if the base interest rate drops. In the long run, however, the bank adjusts the contract to a drop in the interest rate and the effect on zombification is reversed.

The next EconNewsletter will be published **on Monday, December 18, 2023.**

Editorial deadline: **Friday, December 15, 2023.**

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