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Fachbereich VWL / Department of Economics

EconNewsletter

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JUNE 10 – JUNE 14, 2024 **NEWSLETTER 2024-14**

SEMINAR CALENDAR

HCHE Research Seminar
Miriam Wüst, University of Copenhagen: — Monday June 10
Child benefits and the health and well-being of new families — 16:30-17:45
Esplanade 36, R. 4011/13

Quantitative Economics
Elisabeth Pröhl, University of Amsterdam: — Tuesday June 11
Existence and Uniqueness of Recursive Equilibria with Aggregate and Idiosyncratic Risk — 12:15–13:30
R. 0079 (VMP 5)

Hamburg Lectures in Law and Economics
Paolo Silvestri, University of Catania: — Wednesday June 12
The Strange Case of Dr. Taxpayer and Mr. Charity: A Fairy Tale of Institutionalized Solidarity — 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 or send an email to lectures-ile@uni-hamburg.de.

Ph.D. Seminar in Empirical and Theoretical Economics
This semester, the PhD seminar takes place as a block seminar. — Thursday June 13
For more information see the attached schedule below. — 10:00-17:00
0031 (VMP 5)

Microeconomics
Georg Kirchsteiger, Université Libre de Bruxelles: — Thursday June 13
Growing Cooperation — 17:15–18:45
R. 0079 (VMP 5)

ABSTRACTS

HCHE Research Seminar
Miriam Wüst, University of Copenhagen:
Child benefits and the health and well-being of new families

Abstract:
We study the short-run consequences of a 635EUR reduction in the Danish unconditional child benefit for families with a new-born child. We use a RDD around quarterly cutoffs that govern the timing of benefit eligibility for all families with a newborn. We find that the impact of having to wait for the first quarterly benefit depends on both family liquidity and structure: For single-parent households, our preliminary results suggest that there are negative implications for short-run maternal well-being but no labor market responses across the income distribution. For two-parent families, we find labor market responses (fathers increase and mothers decrease their work hours), only among low income families, for two-parent families, however, we find no short-run impacts on maternal mental well-being. Our findings contribute to understanding the roots of established long-run relationships between early-life income and child and family outcomes and to establishing mechanisms, which for now are poorly understood (among them labor market and income channels as well as parental stress channels).

Quantitative Economics
Elisabeth Pröhl, University of Amsterdam:
Existence and Uniqueness of Recursive Equilibria with Aggregate and Idiosyncratic Risk

Abstract:
In this paper, I study the existence and uniqueness of recursive equilibria in economies with aggregate and idiosyncratic risk. Rather than relying on compactness to establish existence, I exploit the monotonicity property of the equilibrium model and rely on arguments from convex analysis. This methodology does not only give rise to a convergent iterative procedure, but more strikingly, it also yields uniqueness. To illustrate my theoretical results, I establish sufficient conditions for the existence and uniqueness of solutions to the stochastic growth model with heterogeneous agents as in Krusell and Smith (1998).

Hamburg Lectures in Law and Economics
Paolo Silvestri, University of Catania:
The Strange Case of Dr. Taxpayer and Mr. Charity: A Fairy Tale of Institutionalized Solidarity

Abstract:
'Institutionalized solidarity' seems an oxymoron, if not a paradox: altruism, gift-giving or solidarity cannot be institutionalized, let alone legally enforced without losing some of their characteristics such as spontaneity,freedom and/or voluntariness. Percentage Tax Institutions (PTIs), also known as

Percentage Philanthropy Laws, seem to be at the heart of this paradox. They are fiscal institutions through which taxpayers can designate a certain percentage of their income tax to organizations whose main activity is of public interest: Churches, Non-profit and NGOs, Scientific or Health research, Local municipalities, environmental activities or for the cultural and landscape heritage, etc.

PTI have been in place in several Central and Eastern European countries for many years, and yet very few studies have attempted to provide a normative and/or empirical explanation for them. This is also because legislators in these countries introduced these institutions with different motivations and justifications, for example, in Italy, as a way to implement the constitutional principle of horizontal subsidiarity, realizing a new type of “fiscal subsidiarity” (Antonini 2012) and the outsourcing of some public goods/services (from welfare state to ‘welfare society’), while in post-communist Eastern European countries, as a way of nurturing “fiscal democracy”, the development of organized civil society (third sector) and the “culture of gift-giving/altruism” (Török & Moss 2004; Bullain 2004). Some scholars have tried to provide a theoretical account of PTI in the light of the “voluntary exchange” paradigm (from Wicksell to Buchanan) and as a liberal and “contractarian approach to the provision of public goods” (Sugden 2018), or as a “new form of voluntary tax justice” (Silvestri 2021).

In this lecture, by relying on some previous theoretical and empirical research (Silvestri, Chiadò, Lo Presti 2020; Silvestri, Kesting 2021; Silvestri 2021), I try to explain the ‘strange’, hybrid institutional character of PTIs – that is, at the intersection of private and public, civil society and state, philanthropy and taxation – and the related ‘strange’ character of taxpayer’s choice – between freedom and obligation. I argue that PTIs and taxpayer’s choice can be normatively justified and empirically understood as a form of “Gift-without-sacrifice” and “Taxpayer’s sovereignty” (or quasi-voluntary taxation) implying two kinds of freedom: autonomy and choice. All in all, I show how PTIs force us to see the paradox of institutionalized solidarity in a new light.

Microeconomics
Georg Kirchsteiger, Université Libre de Bruxelles:
Growing Cooperation

Abstract:
Experimental evidence shows that in repeated dilemma cooperation is more likely to become the norm in small groups that in large groups even if cooperation is an equilibrium outcome for all investigated group sizes. But what happens if small groups are merged to become large ones? Our paper is based on the idea that due to norm spillovers a large group created by a merger of small groups is more likely to cooperate than a large group of similar size that is created directly. Our paper tests this idea experimentally by comparing two treatments. The growth treatment (GT) consisted of three parts. In the first part groups of two subjects played a repeated prisoners dilemma. In the second stage pairs of two-subject groups were merged resulting in four-subject groups. These four-subject groups played the repeated prisoner's dilemma with random partner choice. In the third stage of the GT pairs of four-subject groups were merged resulting in eight-subject groups playing again the repeated prisoner's

dilemma with random partner choice. In the control treatment (CT) groups of eight are formed that played the repeated prisoner's dilemma with random partner choice, replicating the third part of GT. We chose the parameters such that due to the folk theorem in both treatments and for all group sizes cooperation as well as non-cooperation were equilibrium outcomes. In line with previous experimental results, cooperati0on rates decreased in the GT treatment when the group size increased. But when comparing the results of the CT with those of the third stage GT we found much higher cooperation rates in the GT. This shows that cooperation is much more likely to be achieved when groups grow from small to large than when the large groups are formed directly.

ACTIVITIES OF DEPARTMENT MEMBERS

New Publications

- **Lange, A. and C. Schwirplies (2024)**, "Posted offers with charitable promises: True preferences and strategic behavior", *Games and Economic Behavior*, accepted.
- **Carlsson, F.; Ek, C. and A. Lange (2024)**, "One bad apple spoils the barrel? Public good provision under threshold uncertainty", *Experimental Economics*, accepted.

The next EconNewsletter will be published **on Monday, June 17, 2024.**

Editorial deadline: **Friday, June 14, 2024.**

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Ph.D. Seminar in Empirical and Theoretical Economics
SoSe 2024
Department of Economics

This semester, the PhD seminar takes place as a block seminar on Thursday, June 13. The idea is to foster interaction between PhD students and faculty and have a day with active discussions. The seminar runs from 10am until 5pm. In case you cannot attend all talks, feel free to join for the sessions that you are available.

We will also have a joint lunch where we can continue the discussions. If you plan to attend the lunch, please send me an email by June 10 (ole.wilms@uni-hamburg.de).

Date: 13.06.24 10:00-17:00
Location: VMP 5 0031 (next to HASPA-Café)

Format: 30 minutes for presentations, 25 minutes for discussions

Schedule:

Time	Speaker	Title
10:00-11:00	Presenter: Lorenzo Romero Supervisor: Andreas Lange	Too fast, too ambitious? Heterogeneous effects on innovation of Germany's 1999 Ecotax
11:00-12:00	Presenter: Marlene Renkel Supervisor: Ole Wilms	Corporate Green Pledges
12:00-14:00	Joint lunch break	
14:00-15:00	Presenter: Roland von Campe Supervisor: Christian Pierdzioch	Low inflation, unconventional monetary policy and the cost channel
15:00-16:00	Presenter: Eric Offner Supervisor: Olaf Posch	The Duration Channel: The Response of Real Investment to Monetary Policy.
16:00-17:00	Presenter: Nurlan Lalayev Supervisor: external	So Far Away? Hiring Discrimination against Female Commuters

Abstracts:

Author: Lorenzo Romero
Title: Too fast, too ambitious? Heterogeneous effects on innovation of Germany's 1999 Ecotax
Abstract: Opposition to environmental policies has been on the rise in the last years, both from political parties and part of the public. This uncertainty has an effect on companies' revenues and decision-making, especially in volatile and long-run investments such as R&D. In this study, I assess the effect on green innovation of Germany's Ecotax reform of 1999, that increased taxes on electricity and fuel consumption. In particular, I focus on how this effect differs depending on firms' ability to withstand the uncertainty surrounding the policy, proxied by their size, by matching affected firms with similar companies from abroad.

Author: Marlene Renkel
Title: Corporate Green Pledges
Abstract: The fight against climate change exposes businesses to major transition risks. To successfully navigate nthis challenge, businesses need to fundamentally rethink their carbon footprint, energy supplies and, in many cases, entire production chain. In a sign that they are taking this challenge seriously, many publicly traded companies in the U.S.~have announced ambitious commitments to reduce future GHG emissions. In this paper we identify green pledges–decarbonization commitments–from newswires articles using AI (GPT-4) and human coders. About half of the companies in our sample from 2005 to 2020 have made green pledges, and these companies tend to be larger and browner than those without pledges. The announcement of a green pledge significantly raises the company's stock price, and this stock market impact is stronger for larger and browner firms. Firms that make green pledges subsequently reduce their CO2 emissions by more than other firms, a result that alleviates concerns about "greenwashing". Our evidence suggests that green pledges have material new information for investors, can reduce perceived climate transition risk, and may be the result of financial incentives for companies to reduce their carbon footprint.

Author: Roland von Campe
Title: Low inflation, unconventional monetary policy and the cost channel
Abstract: This paper contributes to the extensive literature about the cost channel of monetary policy within the New Keynesian model. In contrast to the literature, I motivate a cost channel that additionally incorporates the long end of the yield curve. The presence of this cost channel of unconventional monetary policy offers a new insight into the transmission of large-scale asset purchases. For instance, I highlight a condition under which an expansionary quantitative easing policy (QE) can have unintended consequences, leading to a decline in inflation. However, under any configuration of the cost channel, a sufficiently persistent unconventional QE policy can prevent an unintended inflation outcome.

Author: Eric Offner
Title: The Duration Channel: The Response of Real Investment to Monetary Policy.
Abstract: I provide new empirical evidence on the heterogeneous effects of monetary policy on real investment. The investment expenditure of firms with higher cash flow duration is more sensitive to monetary policy. Unlike much of the existing literature, which attributes heterogeneous responses to financial frictions, the duration channel operates even in frictionless financial markets. Monetary policy shocks have a greater impact on firms with higher duration because the present value of their future cash flows is more sensitive to interest rate changes, leading to more pronounced shifts in investment demand. I show that cash flow duration is a significant economic channel of monetary policy, observable both across and within industries.

Author: Nurlan Lalayev

Title: So Far Away? Hiring Discrimination against Female Commuters

Abstract: We investigate gender-based employment discrimination related to commuting time, using correspondence experimental data on gender and parenthood discrimination in hiring from Becker, Fernandes, and Weichselbaumer (2019). Our analysis reveals a systematic negative effect of commuting distance on callback rates for female job applicants. Specifically, a 10-kilometer increase in driving distance reduces callback rates for women by 2.2 percentage points, an effect not observed for male applicants. Contrary to our expectations based on existing literature, parenthood does not influence these re sults. To further substantiate our findings, we complement our experimental data with other sources, identifying empirical patterns that suggest statistical discrimination against females.