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FAKULTÄT
FÜR WIRTSCHAFTS- UND
SOZIALWISSENSCHAFTEN

Fachbereich VWL / Department of Economics

EconNewsletter

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

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DECEMBER 9 – DECEMBER 13, 2024 | **NEWSLETTER 2024-26**

SEMINAR CALENDAR

Quantitative Economics
Michaela Elfsbacka Schmöller, ECB and BoF: — Tuesday December 10
Do Recessions Slow Technology Growth? Evidence from the Firm Level — 12:15–13:30
R. 0079 (VMP 5)

Hamburg Lectures in Law and Economics
Daniele Nosenzo, Aarhus University: — Wednesday December 11
Law and Norms: Experimental Evidence — 18:15–19:45
R. 223 (ILE)
Alsterterrasse 1

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.

Labour Economics Seminar
Bernd Fitzenberger, Universität Erlangen-Nürnberg: — Thursday December 12
Changing Fertility and Heterogeneous Motherhood Effects: Revisiting the Effects of a Parental Benefits Reform — 14:30-16:00
Esplanade 36, R. 4011/13

Microeconomics
Anja Schöttner, HU Berlin: — Thursday December 12
Performance Pay, Internal Control, and Employee Misconduct — 17:15–18:45
R. 0079 (VMP 5)

ABSTRACTS

Quantitative Economics
Michaela Elfsbacka Schmöller, ECB and BoF:
Do Recessions Slow Technology Growth? Evidence from the Firm Level

Abstract:
Do recessions harm investment in technology and thus future aggregate supply? We provide novel evidence on this question using unique, granular data on innovation investment in R&D and diffusion from a representative survey of German firms. Our data allows to identify the crisis-induced innovation investment cuts with mean conditional reductions of-65% (R&D) and-70% (diffusion) relative to pre-crisis investment plans, concentrated in 20% and 25% of firms respectively. We estimate that a 1% cyclical output drop translates into a-0.3% fall in innovation investment. Firm-level financial constraints amplify the innovation reductions. Our findings suggest that short-term shocks affect aggregate supply over at least the medium term, challenging the exogenous technology assumption and the resulting dichotomy between business cycles and long-run growth in standard models of aggregate fluctuations. We show that demand shocks are among the main causes of the cyclical technology investment cuts, supporting the view that demand shocks can manifest as technology shocks. We formalize our micro-level results in a New Keynesian model with endogenous growth through investment in R&D and technological diffusion which determines cycle and trend jointly in general equilibrium.

Hamburg Lectures in Law and Economics
Daniele Nosenzo, Aarhus University:
Law and Norms: Experimental Evidence

Abstract:
Laws affect behaviour not only through deterrence but also through their “expressive power”, i.e., their ability to shape the social norms of a society. In a series of papers, we develop a theoretical model showing that the expressive power of law emerges naturally within a framework where individuals care about the social reputation they derive from behavior. Using incentivized vignette experiments, we introduce a novelmethodology to empirically investigate the law’s expressive power. We show clear evidence that the law exerts such power in line with theoretical predictions. We then extend our analysis to investigate whether the law’s expressive power differs by gender or race, and in the presence of individuals who belong to different “cultural groups”, for example natives and migrants who live under the same set of rules but may hold different attitudes towards the same type of behavior.

Microeconomics
Anja Schöttner, HU Berlin:
Performance Pay, Internal Control, and Employee Misconduct

Abstract:
We study a situation where an employee chooses productive effort to achieve a target but can also manipulate a performance measure to pretend target achievement and earn an undeserved bonus. Whereas the firm's shareholders may benefit from undetected manipulation, both the employee and the shareholders realize a loss in case of detected manipulation. We analyze how performance pay, internal control, and external control (e.g., by a public authority) interact to prevent or promote manipulation. We show that internal control may be implemented to enhance effort but also to induce manipulation more often or at lower costs. Whether the introduction of internal control reduces the ex ante probability of manipulation by inducing higher effort, which yields a lower failure probability and, thus, a lower probability that manipulation occurs, crucially depends on the extent of external control that the firm and the employee face. In particular, internal control reduces the probability of manipulation when external control is sufficiently high for the firm or sufficiently low for the employee.

The next EconNewsletter will be published **on Monday, December 16, 2024.**

Editorial deadline: **Friday, December 13, 2024.**

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

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