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Fachbereich VWL / Department of Economics

EconNewsletter

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

JANUARY 20 – JANUARY 24, 2025

NEWSLETTER 2025-3

SEMINAR CALENDAR

Quantitative Economics

[Aurélien Eyquem, HEC Lausanne:](#)

Markups, Taxes, and Rising Inequality

Tuesday January 21

12:15–13:30

R. 0079 (VMP 5)

Hamburg Lectures in Law and Economics

[Johannes Lohse, Leuphana University:](#)

Information Instruments and Pollution Avoidance: Experimental Evidence

Wednesday January 22

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.

Microeconomics

[Jan Schmitz, Radboud University:](#)

How to Improve Small Firms' Payroll Tax Compliance? Evidence from a Randomized Field Experiment

Thursday January 23

17:15–18:45

R. 0079 (VMP 5)

ABSTRACTS

Quantitative Economics

Aurélien Eyquem, HEC Lausanne:

Markups, Taxes, and Rising Inequality

Abstract:

We analyze income and wealth inequality dynamics through the lens of an heterogeneous agent model with three key features: (i) an explicit link between firms' markups and top income shares, (ii) a granular representation of the tax and transfer system, and (iii) three assets with endogenous portfolio decisions. Using counterfactual analyzes, we look at how changes in markups, taxes, factor productivity, and asset prices affected inequalities between 1984 and 2018 in France. Rising markups account for the bulk of rising pretax income inequality. The drivers of rising wealth inequality are more complex. Rising markups and changes in taxes contribute to raise wealth inequality by increasing pretax income inequality and inequality in saving rates between wealth groups. Asset prices – the boom in housing prices – mechanically redistribute wealth from top and bottom wealth groups to the upper middle wealth group, whose wealth is mostly held in the form of housing, but are partly offset by a rise in saving rates of top wealth groups. Our results highlight the key role of endogenous saving decisions in response to exogenous variables as a key driver of wealth inequality.

Hamburg Lectures in Law and Economics

Johannes Lohse, Leuphana University:

Information Instruments and Pollution Avoidance: Experimental Evidence

Abstract:

Information instruments are a core element of the third wave of environmental regulation, aiming to inform citizens about pollution hazards, encourage precautionary measures, and pressure firms and policymakers toward action. Yet, their effectiveness in shaping accurate pollution perceptions and fostering avoidance behaviors remains unclear. This paper investigates how individuals in the Greater London Area perceive NO₂ pollution and examines whether improved perceptions spur short-term avoidance and willingness to pay for protective measures. Drawing on a survey experiment of 3,000 participants assigned to various informational treatments about actual NO₂ levels and associated health risks, we uncover widespread misperceptions of local pollution. Correcting these misperceptions prompts certain adaptive responses, including changes in avoidance behaviors and modest increases in protective investments. Our findings highlight both the potential and the limitations of information-based policies as levers for mitigating pollution exposure and influencing environmental action.

Microeconomics

Jan Schmitz, Radboud University:

How to Improve Small Firms' Payroll Tax Compliance? Evidence from a Randomized Field Experiment

Abstract:

Payroll tax evasion by firms is widespread and threatens the functioning of welfare systems in many countries around the world, yet very little is known about how to combat it. We report results from a large-scale RCT testing strategies to improve payroll tax compliance of small firms in a middle income country. We randomize announced audit probabilities (1%, 10%, 40% or 60%) on the firm level and implement several novel types of moral appeals (varying information on the benefits of tax-financed public goods). Our monthly tax return data show that both deterrence and moral measures significantly improve payroll tax compliance. A high audit probability thereby generates 50% more additional tax revenue than moral appeals. An additional treatment with ambiguous audit probability shows that behavioral factors (such as probability neglect) play a minor role for increasing compliance in the deterrence treatments.

The next EconNewsletter will be published on Monday, January 27, 2025.

Editorial deadline: Friday, January 24, 2025.

EconNewsletter

Department of Economics

University of Hamburg

Von-Melle-Park 5, 20146 Hamburg

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