

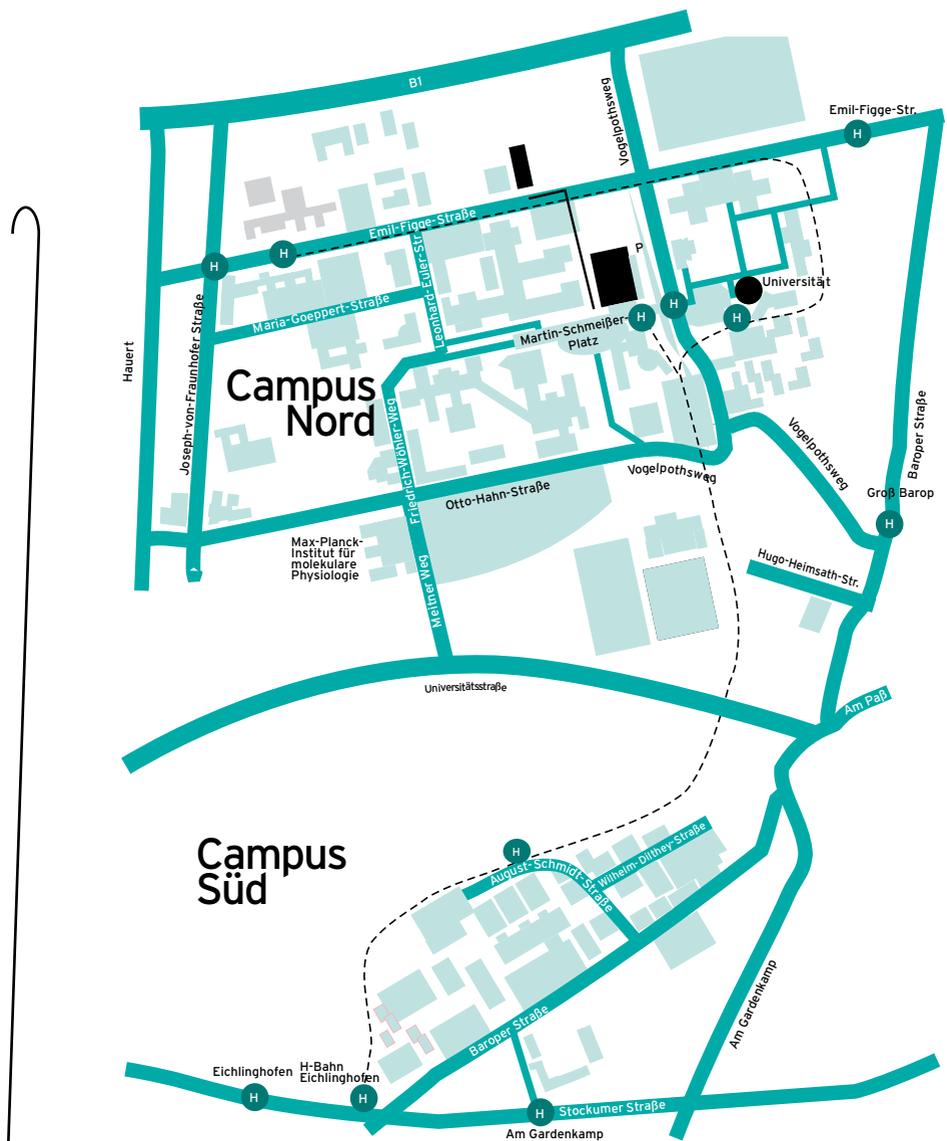
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RGS

DOCTORAL

CONFERENCE

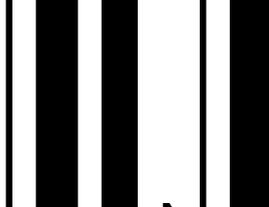
IN ECONOMICS



-  Internationales Begegnungszentrum (IBZ)
-  Canteen / Mensa
-  S-Bahn station

DOCTORAL CONFERENCE





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# DEAR PARTICIPANTS



it is our pleasure to welcome you to the 7th Doctoral Conference of the Ruhr Graduate School in Economics. This is the third time, after 2009 and 2011, that this conference is hosted by the TU Dortmund University. Previously, we have held the conference in Essen (2008), Bochum (2010 and 2013) and Duisburg (2012).

As the organizers of this conference series, we are particularly proud that we were able throughout its history to attract highly prominent keynote speakers. This year sees a continuation of this impressive record: Prof. Dr. Lars P. Feld of Freiburg University, President of the Walter Eucken Institute and member of the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung), will lecture on the topic "Why Germany Has to consolidate its Public Finances: The Sustainability of Public Debt in Germany".

Our innovative conference format has in previous years not only succeeded in fostering a successful exchange of ideas, but has also served as a platform to bring together an internationally, culturally and linguistically diverse group of people - who all speak a common language: Economics. Discussions on topics as varied as migration economics, monetary policy or labor economics have assisted in the formation of informal networks of colleagues and joint research projects.

The Doctoral Conference has become a landmark in the program of the Ruhr Graduate School in Economics (RGS Econ); which itself is a joint initiative of the Universities of Bochum, Dortmund and Duisburg-Essen with the Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) in Essen. Now in its 11th year of existence, the RGS Econ is one of the major players among the German Graduate Schools in Economics.

We are very excited by the broadness and depth of the scientific program of this year's 7th Doctoral Conference. We have been looking forward to this event and we sincerely hope you will have a highly productive time here in Dortmund. We hope that our professional and social forum is conducive to meeting some new colleagues, exchanging ideas and having some fun too.

We are proud to welcome you to our 7th Conference, and look forward to having a productive and inspiring event here in Dortmund.

Kind regards



Prof. Dr. Wolfgang Leininger, PhD,  
Director RGS Econ



Prof. Dr. Christoph M. Schmidt, PhD,  
Director RGS Econ



RGS ECON

## THE RGS ECON IS SPONSORED BY

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and Research of the German State  
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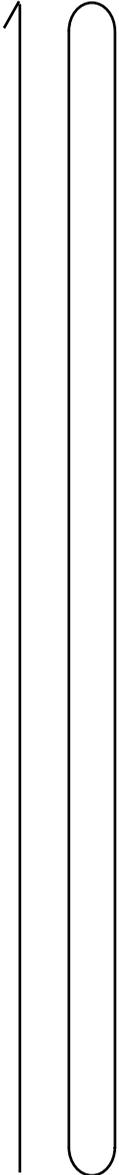


**tu** technische universität  
dortmund

RUHR  
UNIVERSITÄT  
BOCHUM **RUB**



 Stiftung  
Mercator





## ABOUT THE RGS ECON

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The Ruhr Graduate School in Economics (RGS Econ) provides research-oriented training to doctoral researchers in a distinguished 3-year Ph.D. program. It can fund up to eight excellent doctoral students per year with a three-year scholarship. Doctoral students at the RGS Econ are provided with thorough training in advanced methods in economics. They are taken to the frontier of state-of-the-art research in many fields of Economics. Members are integrated into a stimulating research environment composed of three universities and an independent research institute, which harbour an ambitious and excellent faculty. Its approach is clearly a disciplinary one as opposed to an interdisciplinary one by trying to cover all major areas of Economics from positive theorizing to empirical validation and policy design as well as evaluation. This focus on economics per se is calculated to facilitate a particular early start of individual research. Faculty members of the RGS Econ group themselves into three major clusters of interest and research, which are briefly described as the School's core areas of expertise below. Interactions and cooperation within and across clusters are intense; doctoral students are invited to contribute to these exchanges by following their own interests.

### CLUSTER 1:

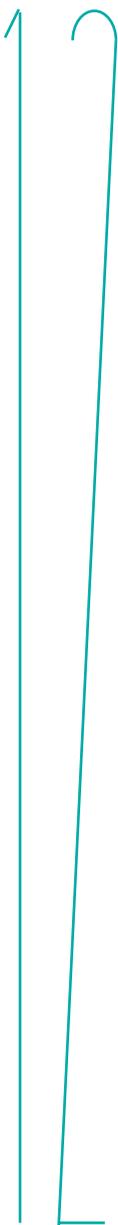
Applied Microeconometrics, Labour, Population, Health Economics

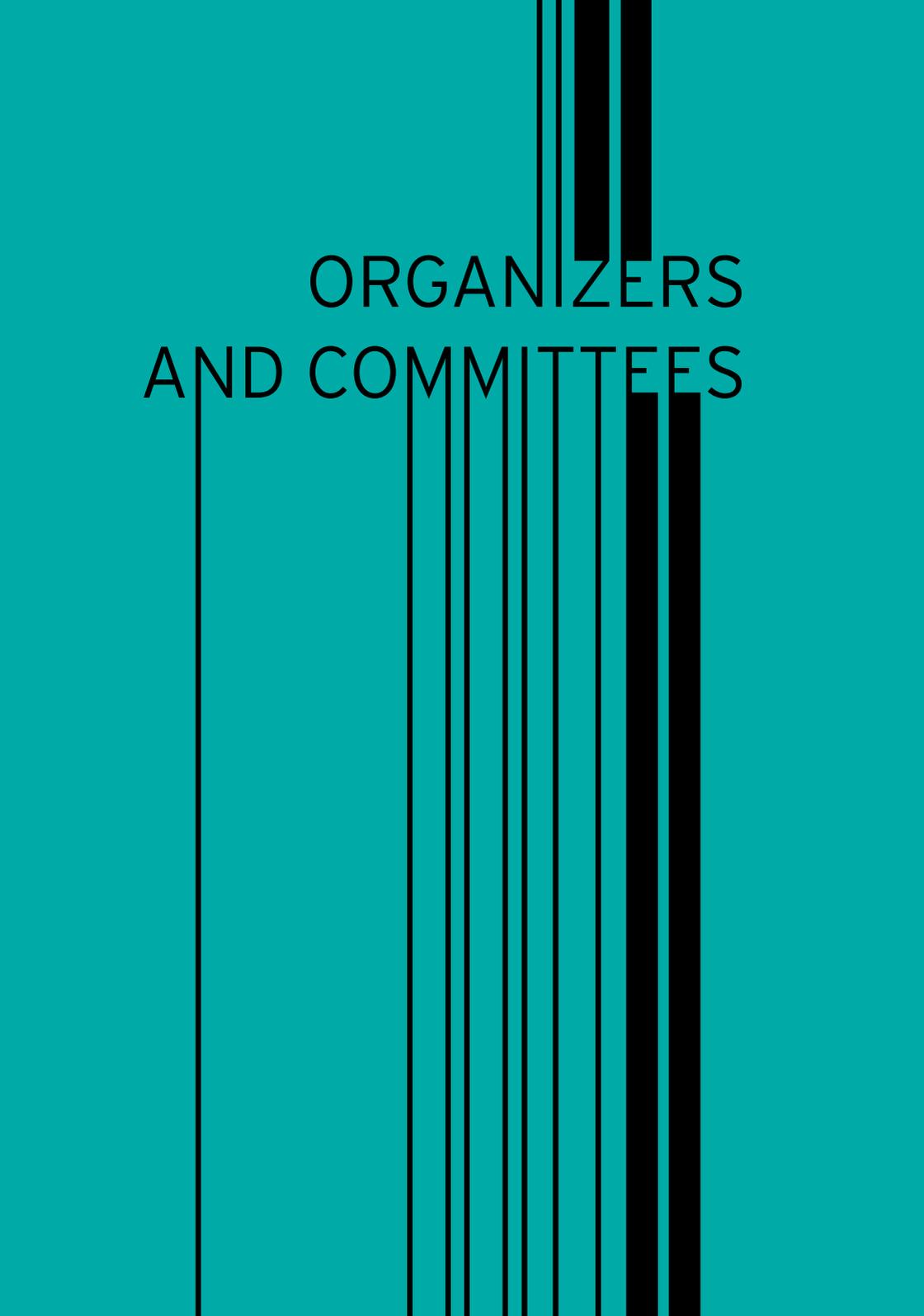
### CLUSTER 2:

Macroeconomics, Monetary and International Economics, Financial Markets

### CLUSTER 3:

Microeconomics, Game Theory, Mechanism Design, Public Finance





ORGANIZERS  
AND COMMITTEES

This event would not have been possible without the time and effort of:

## SCIENTIFIC BOARD

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**Prof. Dr. Erwin Amann** (University of Duisburg-Essen)  
**Prof. Dr. Thomas Bauer** (Ruhr University Bochum & RWI)  
**Prof. Dr. Ansgar Belke** (University of Duisburg-Essen)  
**Prof. Dr. Jeanette Brosig-Koch** (University of Duisburg-Essen)  
**Prof. Dr. Matthias Busse** (Ruhr University Bochum)  
**Prof. Dr. Stefan Felder** (University of Duisburg-Essen)  
**Prof. Dr. Manuel Frondel** (Ruhr University Bochum & RWI)  
**Prof. Dr. Christoph Hanck** (University of Duisburg-Essen)  
**Prof. Dr. Wolfgang Leininger** (TU Dortmund University)  
**Prof. Dr. Ludger Linnemann** (TU Dortmund University)  
**Prof. Dr. Wolfram Richter** (TU Dortmund University)  
**Prof. Dr. Julio R. Robledo** (Ruhr University Bochum)  
**Prof. Dr. Michael Roos** (Ruhr University Bochum)  
**Prof. Dr. Christoph M. Schmidt** (Ruhr University Bochum & RWI)  
**Prof. Dr. Reinhold Schnabel** (University of Duisburg-Essen)  
**Prof. Dr. Tobias Seidel** (University of Duisburg-Essen)  
**Prof. Dr. Jens Südekum** (University of Duisburg-Essen)  
**Prof. Dr. Thorsten Upmann** (University of Duisburg-Essen)  
**Prof. Dr. Martin Wagner** (TU Dortmund University)  
**Jun.-Prof. Dr. Timo Baas** (University of Duisburg-Essen)  
**Dr. Joscha Beckmann** (University of Duisburg-Essen)  
**Jun.-Prof. Dr. Lars Metzger** (TU Dortmund University)  
**Jun.-Prof. Dr. Marie Paul** (University of Duisburg-Essen)  
**Jun.-Prof. Dr. Hendrik Schmitz** (University of Duisburg-Essen)  
**Jun.-Prof. Dr. Michael Stein** (University of Duisburg-Essen)  
**Jun.-Prof. Dr. Dominik Wied** (TU Dortmund University)  
**Jun.-Prof. Dr. Roland Winkler** (TU Dortmund University)



## CONFERENCE ORGANIZATION

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**Prof. Dr. Wolfgang Leininger** (TU Dortmund University)

**Dr. Michael Kind** (RGS Econ & RWI)

**Barbara Schilde** (RWI)

**Prof. Dr. Christoph M. Schmidt** (Ruhr University Bochum & RWI)

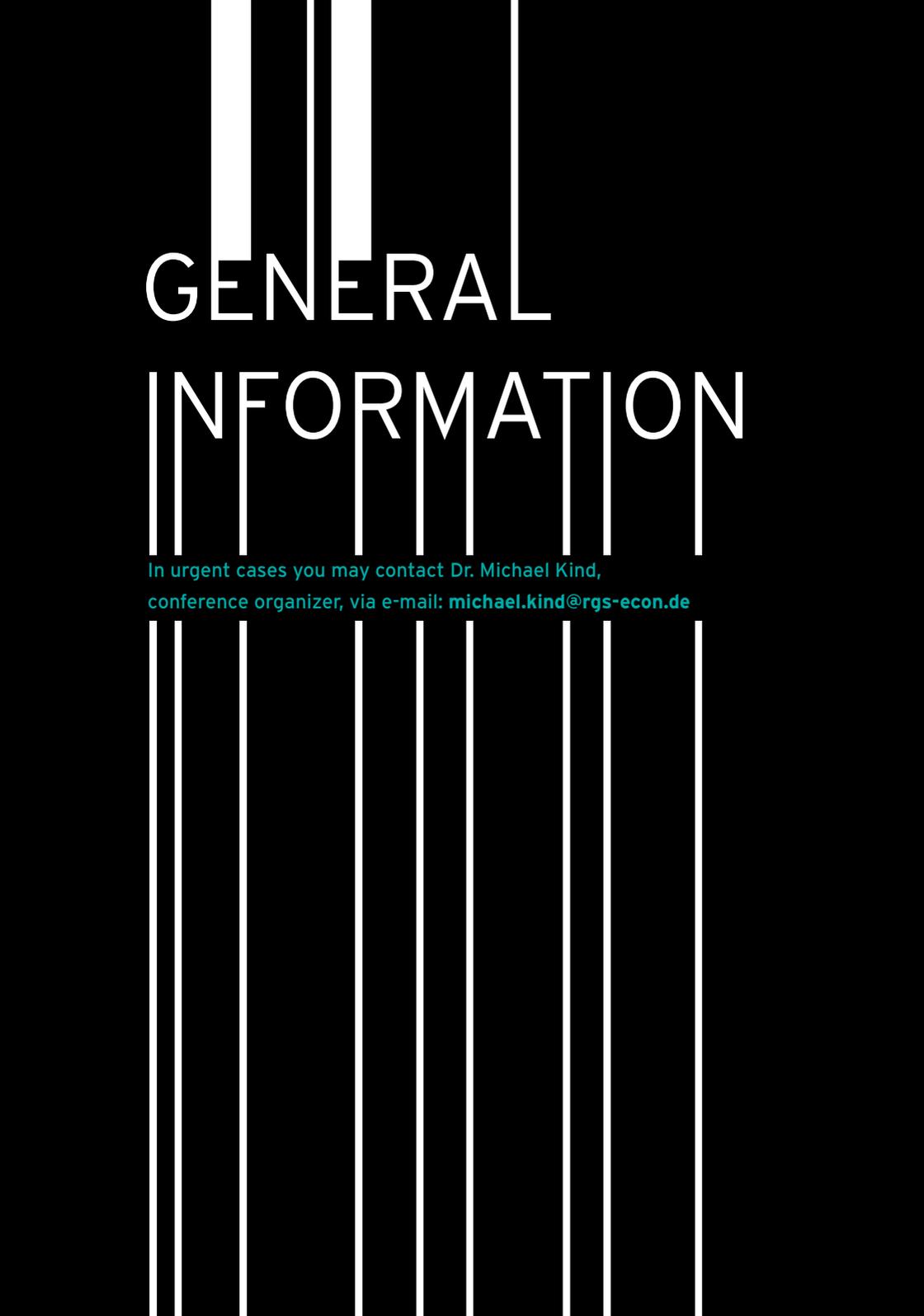
## GRAPHICS & DESIGN

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**Julica Bracht** (RWI)

**Daniela Schwindt** (RWI)

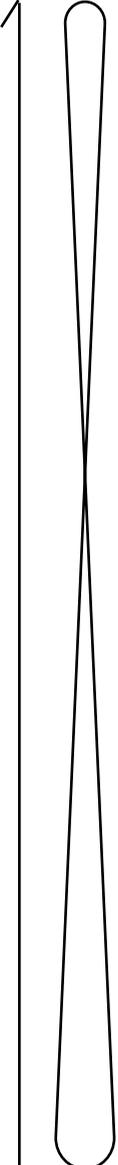


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# GENERAL

# INFORMATION

In urgent cases you may contact Dr. Michael Kind,  
conference organizer, via e-mail: [michael.kind@rgs-econ.de](mailto:michael.kind@rgs-econ.de)



## CONFERENCE VENUE

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### **TU Dortmund University**

IBZ (Internationales Begegnungszentrum)

Emil-Figge-Str. 59

44221 Dortmund

## HOW TO GET TO THE CONFERENCE?

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The closest airports are Dortmund Airport (DTM) and Düsseldorf International Airport (DUS).

From Dortmund airport you can take the train to Dortmund main station and then the S1 (direction Solingen) to TU Dortmund University. From Düsseldorf International you can take the S1 directly to "Dortmund Universität". From the train station it is a 5-10 minute walk to the IBZ.

A map of the University is provided on the inside cover of this booklet.

## REGISTRATION AND INFORMATION DESK

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The registration and information desk for the conference will be located in the foyer of the IBZ (Internationales Begegnungszentrum) and will be staffed on Thursday, February 27, from 8:30 to 20:30. On Friday, February 28, the helpdesk will be staffed from 8:30 - 16:00.

## CANTEEN / MENSA

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In order to receive the reduced price for students at the university canteen/mensa, conference attendees will need to show their student ID (from their home university) to the cashier. The canteen/mensa is located near the conference location at IBZ and can be reached in less than five minutes.



## **SMOKING POLICY**

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Smoking is strictly prohibited inside all university buildings. Smokers are only permitted to smoke outside the buildings.

## **INTERNET ACCESS**

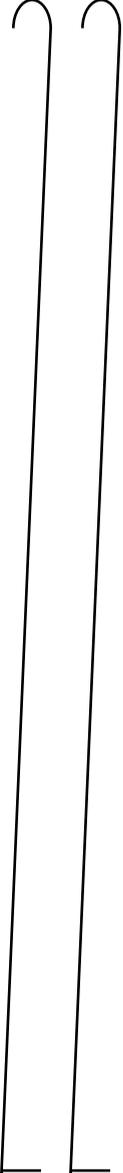
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Free wireless internet access will be available throughout the conference building. The name and access code of the wireless network will be available at the information desk.



SOCIAL

EVENTS



## **WEDNESDAY , 26TH FEBRUARY, 19:00**

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On Wednesday (26th) evening at 7pm, we have booked a table at **HÖVELS Hausbrauerei** (Hoher Wall 5-7, 44137 Dortmund). Whomever has already arrived in Dortmund is more than welcome to join us there for a bite to eat or drink.

**HÖVELS Hausbrauerei** is located in the city of Dortmund and one of the oldest still producing breweries in Northrhine Westphalia.

In 1518 the brewery was established and in 1854 the brewery in its current form was built. The recipe of the beer was created in 1893 and since then the beer is brewed accordingly. Hövels' beer is a regional speciality that can be enjoyed in a traditional atmosphere.

- Please be aware that food and drinks are not covered -

## **THURSDAY, 27TH FEBRUARY, 14:45 - 17:15**

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### **TOUR TO SIGNAL-IDUNA PARK**

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The SIGNAL-IDUNA Park is the home stadium of the Borussia Dortmund football team playing in the German Bundesliga.

It has a league capacity of 80.720 (standing and seated) and is Germany's biggest stadium and the seventh biggest stadium in Europe. The stadium established the European record in average fan attendance in 2004-2005 with a total of 1.35 million fans. The stadium broke this record in the 2011-2012 season with almost 1.37 million spectators.

The stadium hosted matches of the 1974 and 2006 FIFA World Cup including the legendary semi-final Germany against Italy in 2006. Furthermore, it also hosted the 2001 UEFA Cup Final.



The stadium tour allows you behind the scenes, offering the chance to visit the dressing room, walk down the tunnel, touch the famous green grass and sit in the team dug-out. You will also have a chance to visit the stadium's own jail!

Accompanied by enthusiastic and knowledgeable tour guides, throughout the tour, there will be plenty of opportunities to take some great photographs.

### **IMPORTANT**

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The tour to the **SIGNAL-IDUNA PARK** is free of charge for conference participants, i.e. presenters, guest speakers, RGS professors and RGS students. A bus transfer is organized. The bus will leave at 14:45 from the IBZ and will return at 17:15.

### **THURSDAY, 27TH FEBRUARY, 19:00**

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#### **KEYNOTE SPEECH BY PROF. DR. LARS P. FELD, MEMBER OF THE GERMAN COUNCIL OF ECONOMIC EXPERTS**

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Lars P. Feld (born 1966) holds the chair for Economic Policy and Constitutional Economics at Albert-Ludwigs-University of Freiburg since 2010 and is the current president of the Walter Eucken Institute. His research focuses on economic and fiscal policies, the emerging field of New Political Economy, and the economic analysis of law.

After his studies in economics Lars P. Feld graduated from University of St. Gallen in 1999 and qualified for a professorship in 2002. From 2002 to 2006, he worked as a professor of economics, with a focus on public finance, at Philipps-University Marburg. From



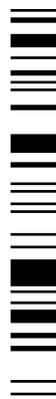
2006 to 2010 Feld held a similar position at Ruprecht-Karls-University Heidelberg. He is a permanent guest professor at the Center for European Economic Research (ZEW) in Mannheim, as well as a member of Leopoldina (the German National Academy of the Sciences), the Scientific Council of the think tank Stiftung Marktwirtschaft, and the Mont Pelerin Society.

Since 2003, Lars P. Feld has been a member of the Scientific Advisors to the Federal Ministry of Finance. In 2007, he was named an expert to the Bundesrat and Bundestag commission for the modernization of federal financial relations (Federalism Commission II) and contributed as an advisor on the subject of the new German debt brake measures. In March 2011 Feld was, at the recommendation of the federal government, appointed to the German Council of Economic Experts.

Lars P. Feld will lecture on the topic:

**Why Germany has to consolidate its Public Finances:  
The Sustainability of Public Debt in Germany**

Since the beginning of the 1970s there is a positive trend in public debt in Germany. In 2012 public debt reached an all-time high in times of peace. Short episodes of consolidation, e.g. in the post-war area of chancellor Helmut Kohl, only ensured that public debt was increasing slower than GDP. Developments on the central government level were the driving force behind the increased public debt while also the federal states contributed to this development. On the contrary, municipalities in the aggregate (with big differences among each other) did not increase their debt-to-GDP ratio. As a result, the overall development of debt-to-GDP questions the sustainability of public finances.



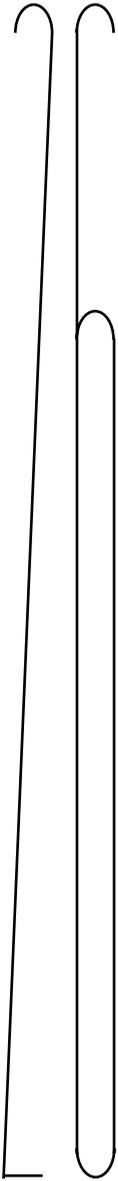
In this presentation the sustainability of public finances (on central governments and state level) will be analyzed applying up to date econometric tools. Then, the missing sustainability in the past and expected developments for the future will be discussed. Here, the role of political economics in the formation of public debt will be analyzed as a potential reason for the massive level of debt. Finally, the presentation will conclude with some thoughts on the usefulness of the proposed German debt brake.

Appetizers and drinks will be offered after the keynote speech.

**FRIDAY, 28TH FEBRUARY, 15:00**

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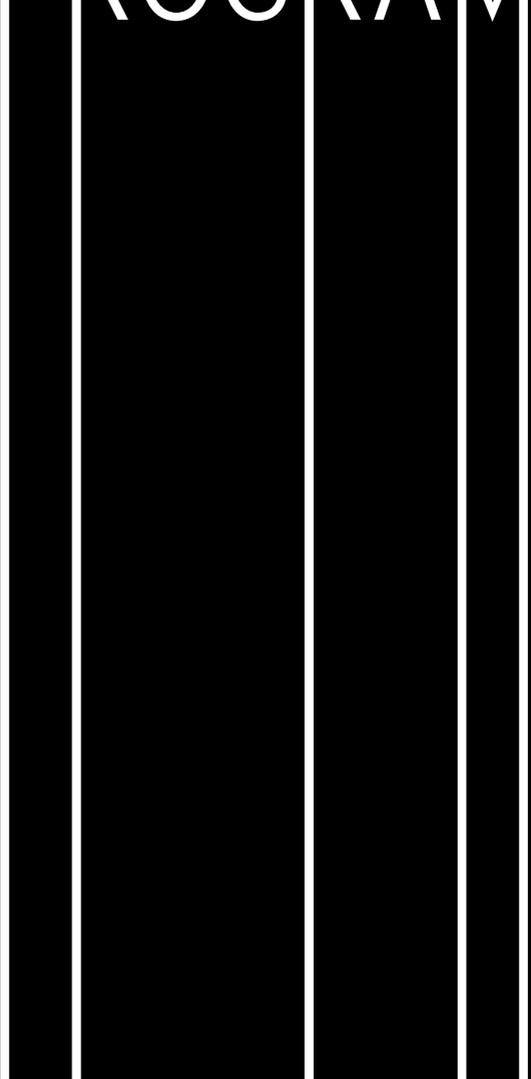
Best paper award ceremony & closing remarks.





CONFERENCE

PROGRAM



# CONFERENCE

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## February 26, Wednesday

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19:00	Get-together	Hövels Brauerei Hoher Wall 5-7 44137 Dortmund
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## February 27, Thursday

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8:30 - 9:00	Registration	Foyer IBZ
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9:00 - 9:15	Opening Remarks	Veranstaltungssaal
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9:15 - 10:45	Sessions 1, 2 & 3	
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1	Contests	Veranstaltungssaal
2	Public Policy	Tagungsraum 2
3	Banking	Tagungsraum 1

10:45 - 11:00	Coffee Break	Foyer IBZ
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11:00 - 12:30	Sessions 4, 5 & 6	
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4	Housing	Veranstaltungssaal
5	Industrial Organization	Tagungsraum 2
6	Health	Tagungsraum 1

12:30 - 13:15	Lunch	Mensa
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13:15 - 14:45	Sessions 7, 8 & 9	
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7	Education	
8	Monetary Policy	
9	Microeconomic Theory	

14:45 - 17:15	Social Event: Guided Tour through the Signal-Iduna Park	Signal-Iduna Park
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# PROGRAM

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**17:30 - 18:30** Sessions 10, 11 & 12 (2 Presentations)

10	FDI	Veranstaltungssaal
11	Financial Crisis	Tagungsraum 2
12	Income Inequality	Tagungsraum 1

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**19:00 - 20:30** Keynote Speech by Prof. Dr. Lars P. Feld      Veranstaltungssaal

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**20:30 - 22:00** Appetizers      Foyer IBZ

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## February 28, Friday

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**9:00 - 10:30** Sessions 13 & 14

13	Financial Markets 1	Veranstaltungssaal
14	Public Economics	Tagungsraum 2

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**10:30 - 11:00** **Coffee Break**      Foyer IBZ

**11:00 - 12:30** Sessions 15, 16, & 17

15	International Trade	Veranstaltungssaal
16	Labor Markets	Tagungsraum 2
17	Financial Markets 2	Tagungsraum 1

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**12:30 - 13:30** **Lunch**      Mensa

**13:30 - 15:00** Sessions 18, 19 & 20

18	Energy	Veranstaltungssaal
19	Monetary International Economics	Tagungsraum 2
20	Labor Productivity	Tagungsraum 1

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**15:00 - 15:30** Best Paper Award Ceremony & Closing Remarks

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## WEDNESDAY, FEBRUARY 26

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### 19:00 GET-TOGETHER

Hövels Brauerei (Hoher Wall 5-7, 44137 Dortmund)

## THURSDAY, FEBRUARY 27

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### 08:30 - 09:00 REGISTRATION

Internationales Begegnungszentrum (IBZ)  
Emil-Figge-Str. 59  
44221 Dortmund

### 09:00 - 09:15 OPENING REMARKS

Room: Veranstaltungssaal

### 09:15 - 10:45 PARALLEL SESSIONS 1, 2 AND 3

#### 1 CONTESTS

Room: Veranstaltungssaal  
Chair: Jun.-Prof. Dr. Metzger

**Christian Rusche**

“Equilibrium Contracts in two-player Tullock Contests”

**Guillem Roig** “Competition and the Hold-Up Problem:  
A Setting with Non-Exclusive Contracts”

**Stefan Legge**

“Rankings, Random Successes, and Individual Performance”

#### 2 PUBLIC POLICY

Room: Tagungsraum 2  
Chair: Prof. Dr. Richter

**Sebastian Garmann** “Does the Nomination Scheme of the City  
Manager Matter for Urban Development Policies?”

**Sebastian Blesse** “Do Municipal Mergers Result in Scale Economies?  
Evidence from a German Federal State”

**Philipp Breidenbach** “Unmask the “Phantom of the Opera” -  
Historical Amenities as a Natural Source of Exogenous Variation”

### 3 BANKING

Room: Tagungsraum 1

Chair: Prof. Dr. Roos

Josef Korte "Wishful Thinking or Effective Threat?  
Tightening Bank Resolution Regimes and Bank Risk-Taking"

Manuel Wiegand "Estimating Real Effects of Bank Lending Supply:  
Bias from Firms' Current Situations and Future Expectations"

Rafael Aigner "Taxing Wall Street: The Case of Boring Banking"

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10:45 - 11:00 **COFFEE BREAK**

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11:00 - 12:30 **PARALLEL SESSIONS 4, 5 AND 6**

### 4 HOUSING

Room: Veranstaltungssaal

Chair: Jun.-Prof. Dr. Stein

Maria Cesira Urz Brancati "Housing Tenure, Education and Labour  
Market Outcomes: Is Homeownership Linked to Overqualification?  
Evidence from UK microdata."

H. Lea Eilers "Analysis of Spatial Dependence in Apartment  
Offering Prices in Hamburg, Germany"

Andr K. Anundsen  
"Regional US Housing Price Formation: One Size Fits All?"

### 5 INDUSTRIAL ORGANIZATION

Room: Tagungsraum 2

Chair: Prof. Dr. Robledo

Yuanjing Li  
"Vertical Structure and Forward Contract in Electricity Market"

Lukas Seger "First Experiences with Hedonic Price Indexes for  
Mobile Communication"

Anna-Katharina Topp "Investment and Adaption as Commitment  
Devices in Climate Politics"

## 6 HEALTH

Room: Tagungsraum 1

Chair: Prof. Dr. Karlsson

Ramona Rischke "Supermarket and the Nutrition Transition in Kenya"

Sandra Vriend "A Field Experiment on Audit Rules with an Application to Long-Term Care"

Jian Li "Long Term Effect of Battle Shock on Health and Wealth Outcomes in China"

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12:30 - 13:15 **LUNCH**

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13:15 - 14:45 **PARALLEL SESSIONS 7, 8 AND 9**

## 7 EDUCATION

Room: Veranstaltungssaal

Chair: Jun.-Prof. Dr. Paul

Anica Kramer "The Impact of Schooling on Work-Related Training of Older Workers - Evidence from a Schooling Reform"

Petyo Bonev "The Effects of Class Size on School Performance: A Nonparametric Study with New Constrained Instrumental Variable Methods"

Daniel Kamhöfer "The Causal Effect of Early Childhood Language Training Programs on the Formation of Grammar Skills"

## 8 MONETARY POLICY

Room: Tagungsraum 2

Chair: Prof. Dr. Linnemann

Dennis Bonam "Policy Coordination and Macroeconomic Stability under Sovereign Risk"

Benjamin Niestroj "The Effects of Large-Scale Asset Purchases in an Estimated DSGE Model of the US Economy"

Yildiz Akkaya

"Uncertainty of Interest Rate Path as a Monetary Policy Instrument"

**9 MICROECONOMIC THEORY**

Room: Tagungsraum 1

Chair: Jun.-Prof. Dr. Metzger

Spyros Palligkinis

“Control Thyself: Self-control Failure and Household Wealth”

Albin Erlanson “Strategy-Proof Package Assignment”

Julia Belau “Consequences of Connection Failure -  
Centrality and the Importance for Cohesion”

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**14:45 - 17:15 GUIDED TOUR THROUGH THE SIGNAL-IDUNA PARK**

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**17:30 - 18:30 PARALLEL SESSIONS 10, 11 AND 12**

**10 FDI**

Room: Veranstaltungssaal

Chair: Jun.-Prof. Dr. Stein

David Gomtsyan

“Economic Development and the Direction of FDI Flows”

Birgit Meyer

“Comparing the Effects of Recipient versus Donor Exports”

**11 FINANCIAL CRISIS**

Room: Tagungsraum 2

Chair: Jun.-Prof. Dr. Winkler

Barbara Sadaba “Determinants of UIP Deviations: Effects of the  
Recent Financial Crisis”

I. Leon Sorkin “The Law of One Price and the Financial Crisis:  
Evidence from the U.S. and the Canadian Equity Markets”

**12 INCOME INEQUALITY**

Room: Tagungsraum 1

Chair: Prof. Dr. Reinhold Schnabel

Johannes Ludwig “The Role of Education and Household Composition  
for Transitory and Permanent Income Inequality -  
Evidence from PSID Data”

Mathias Klein

“Inequality and Household Debt: A Panel Cointegration Analysis”

**19:00 - 20:30 KEYNOTE SPEECH**

Room: Veranstaltungssaal

Prof. Dr. Lars P. Feld

“Why Germany has to consolidate its Public Finances:  
The Sustainability of Public Debt in Germany”

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**20:30 - 22:00 APPETIZERS**

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**FRIDAY, FEBRUARY 28**

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**09:00 - 10:30 PARALLEL SESSIONS 13 AND 14**

**13 FINANCIAL MARKETS 1**

Room: Veranstaltungssaal

Chair: Jun.-Prof. Dr. Winkler

Tobias Rühl “The Cost of Regulation: Evidence from Italy”

Philipp Kaufmann “Momentum Profits, Market Cycles,  
and Rebounds: Evidence from Germany”

Michael Kogler “Moral Hazard, Bank Risk Taking, and Prudential  
Regulation: A Welfare Analysis”

**14 PUBLIC ECONOMICS**

Room: Tagungsraum 2

Chair: Prof. Dr. Richter

Tim Schwarzmüller “The Short- and Long-Run Effects of Fiscal  
Consolidation in Dynamic General Equilibrium”

Lars Just “Commodity Taxation in Durable Goods Markets”

Timothy Yeung “Legal Systems and Electoral Rules”

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**10:30 - 11:00 COFFEE BREAK**

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11:00 - 12:30 PARALLEL SESSIONS 15, 16 AND 17

15 INTERNATIONAL TRADE

Room: Veranstaltungssaal

Chair: Jun.-Prof. Dr. Stein

Taylan Yenilmez "Trade Liberalization and Informality"

Rainer Grundmann

"Exports and Institutions in Modern Sector Development"

Demian Calin-Vlad "Trade, the Skill Premium and Global Inequality"

16 LABOR MARKETS

Room: Tagungsraum 2

Chair: Prof. Dr. Bauer

Sabrina Jeworrek "Do Self-Determined Wages Really Improve Employees' Performance? Evidence from a Natural Field Experiment"

Alexander Plum "The British Low-Wage Sector and the Employment Prospects of the Unemployed"

Mario Bossler "Closed Door, Tight Ladder: Immigrants in German Establishments"

17 FINANCIAL MARKETS 2

Room: Tagungsraum 1

Chair: Prof. Dr. Linnemann

Michael A. Stemmer

"An Emerging Market Financial Conditions Index: A VAR Approach"

Christoph Siemroth "Why Prediction Markets Work: The Role of Information Acquisition and Endowment Weighting"

Houra Haghpanahan "Leading Indicators of Currency Crashes in the Early Warning system"

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12:30 - 13:30 LUNCH

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**13:30 - 15:00 PARALLEL SESSIONS 18, 19 AND 20**

**18 ENERGY**

Room: Veranstaltungsaal

Chair: Prof. Dr. Frondel

Christian Krekel "Natural Disaster, Policy Action,  
and Mental Well-Being: The Case of Fukushima"

Dragana Nikodinoska "Estimating the Effects of Environmental Policy  
Using the Estimates from Household Demand System"

Christin Erb "Empirical Derivation of a Damage Function  
for Heat Waves in Europe"

**19 MONETARY INTERNATIONAL ECONOMICS**

Room: Tagungsraum 2

Chair: Jun.-Prof. Dr. Winkler

Christoph Kaufmann "Relative Sectoral Prices and Population Ageing:  
A Common Trend"

Maria V. Sokolova  
"Currency Choice Motivations and Strategic Choices among Exporters"

Davide Romelli "Current Account and Real Exchange Rate Changes:  
The Impact of Trade Openness"

**20 LABOR PRODUCTIVITY**

Room: Tagungsraum 1

Chair: Prof. Dr. Bauer

Rui Dang "Does Welfare Dependent Neighbors Matter for Individual  
Welfare Dependency? Evidence from Merged Neighborhood Data for  
Germany"

Christian Rulff "Husband's Unemployment and Wife's Labor Supply -  
The Added Worker Effect across Europe"

Ahmed Fayez "Determinants of Using Fixed-term Contracts in the  
Egyptian Labor Market: Empirical Evidence from Manufacturing Firms  
Using World Bank Firm-Level Data for Egypt"

**15:00 - 15:30 BEST PAPER AWARD CEREMONY AND CLOSING REMARKS**

The image features a solid teal background. Three vertical white bars are positioned at the top: a thick bar on the left, a thin bar in the center, and another thick bar on the right. The text 'ABS RACS' is centered horizontally in a white, sans-serif font. The 'A', 'B', and 'S' are aligned with the left thick bar, the 'R', 'A', and 'C' are aligned with the center thin bar, and the 'S' is aligned with the right thick bar.

ABS RACS

# SESSION ONE

## CONTESTS

THURSDAY 9:15 - 10:45

VERANSTALTUNGSSAAL

CHAIR: JUN.-PROF. DR. LARS METZGER

### 1 EQUILIBRIUM CONTRACTS IN TWO-PLAYER TULLOCK CONTESTS

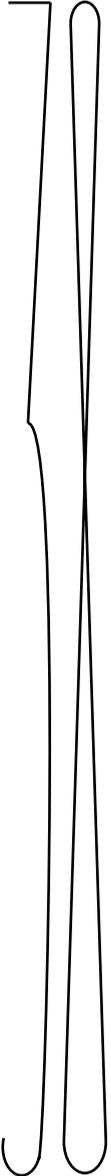
**Christian Rusche** (TU Dortmund University, Dortmund, Germany)

I consider two-player Tullock rent-seeking contests in which each player has the opportunity to contract a delegate that acts on her behalf to win a prize. The contract used by the principal determines a reward for a victory and a fine for a defeat. The fine and the reward may also be limited. Both components are contingent on the contested prize. A comparison is drawn to Baik (2007). I show that in a symmetric equilibrium the agent is incentivized with the whole prize if all agents and principals are risk neutral. That means the agent acts as aggressively as a principal would do. The expected payoff for the principal with delegation is as high as her expected payoff would be if she would play the contest. This result holds if the other player delegates or acts on her own. By introducing delegation a reduction in effort made, as shown by Wärneryd (2000), cannot be observed as long as the principal can decide which contract to use without any restrictions. Introducing mandatory delegation alone does not reduce effort made, but introducing mandatory delegation and restricting contracts does. Prescribing which contract to use can therefore be beneficial. There may also exist multiple asymmetric equilibria. The influence of upper bounds is also explained. The effects of negatively interdependent preferences are also examined.

### 2 COMPETITION AND THE HOLD-UP PROBLEM: A SETTING WITH NON-EXCLUSIVE CONTRACTS

**Guillem Roig** (Toulouse School of Economics, Toulouse, France)

In this work we study how the introduction of competition to the side of the market offering trading contracts affects the equilibrium investment profile in a bilateral investment game. By using a common agency framework, where contracts are not exclusive, we find that the equilibrium investment profile depends on the degree of competition in the trading game. We show that full effi-



ciency can be implemented when competition is intense. Whenever inefficiencies emerge, the hold-up problem only affects the receiving party while the investment decision of the offering party is constrained efficient. In situations where the offering parties “tacitly” coordinate to reduce competition, full efficiency is never guaranteed. The hold-up problem affects the receiving party while the offering party tends to over invest. Nevertheless, regardless on the degree of competition, full efficiency is restored when the offering side of the market is sufficiently large. We show that coordinating on bringing competition down is not Pareto dominant for the parties offering the contracts whenever the sensitivity of the equilibrium allocation to investment is large. Moreover, for some range of the parameters, the investing seller prefers a situation where competition is intense. This happens whenever the receiving party switches his investment decision to not invest. Finally, we rank equilibria in terms of net social welfare and we obtain that lower competitive equilibria might generate larger surpluses.

### **3 RANKINGS, RANDOM SUCCESSES, AND INDIVIDUAL PERFORMANCE**

**Stefan Legge** (University of St. Gallen, St. Gallen, Switzerland) and Lukas Schmid

Rankings have become increasingly important over the past decades and impose a sharp distinction between success and failure. In this paper we examine the effects of ranking positions and great successes on individual performance by using a rich set of data on World Cup alpine ski races for the period of 1992-2013. We apply a regression discontinuity design and exploit close races as a source of randomized treatment. Our results suggest substantial short-run effects of randomly assigned podium finishes on performance, especially for racers in the middle of the skill distribution. However, the effects are short-lived and mostly driven by individuals who miss prestigious ranks by a tiny margin. We identify media attention as the key channel for performance effects and provide empirical evidence for an increasing media bias in favor of top-ranked competitors in the last two decades. These findings highlight a serious drawback of rankings.

# SESSION TWO

## PUBLIC POLICY

THURSDAY 9:15 - 10:45

TAGUNGSRAUM 2

CHAIR: PROF. DR. WOLFRAM RICHTER

**1 DOES THE NOMINATION SCHEME OF THE CITY MANAGER MATTER FOR URBAN DEVELOPMENT POLICIES?**

**Sebastian Garmann** (RGS Econ / TU Dortmund University, Dortmund, Germany)

This paper examines the causal effect of a change in the nomination scheme of the city manager from appointment by the local council to election by the citizens on urban development policies. Using the fact that the timing of the reform was as good as random in municipalities of the German state Hesse, I can utilize a difference-in-difference framework to estimate this causal effect. I find that when the city manager is elected by the voters, there is significantly less urban development than when the city manager is appointed by the municipal council.

**2 DO MUNICIPAL MERGERS RESULT IN SCALE ECONOMIES? EVIDENCE FROM A GERMAN FEDERAL STATE**

**Sebastian Blesse** (Goethe University Frankfurt, Frankfurt am Main, Germany) and Thushyanthan Baskaran

The extant empirical evidence on the fiscal consequences of municipal mergers is ambiguous. We therefore revisit this question by making use of a merger reform in the German federal state of Brandenburg in 2003. In addition to identifying the causal effects of mergers on municipal expenditures by relying on a natural experiment, one novel contribution of our study is to explore the fiscal consequences of both compulsory and voluntary municipal mergers within the same institutional setting. Using a difference-in-difference design with municipality-level panel data (aggregated to post-reform territorial boundaries), we find substantial and immediate reductions in total, administrative and current expenditures per capita after compulsory mergers. Voluntary mergers, on the other hand, have smaller and less robust effects.

### **UNMASK THE “PHANTOM OF THE OPERA” - HISTORICAL AMENITIES AS NATURAL SOURCE OF EXOGENOUS VARIATION**

**Philipp Breidenbach** (Rheinisch-Westfälisches Institut für Wirtschaftsforschung e.V. (RWI), Essen, Germany), Thomas K. Bauer and Christoph M. Schmidt

Following the Creative Class (CC)-theory, a sufficient supply of cultural goods is a substantial prerequisite to attract high-skilled talents and to foster a sustainable regional prosperity thereby. Empirically this theory is hard to proof since reversed causality, namely a cultural milieu which is attracted by prospering regions may drive the observations. Focusing on this problem, Falck et al. (2011) provide evidence for the CC-theory by estimating the effect of German baroque opera houses (built before 1800), which they claim as exogenous supply of cultural goods, on today's regional distribution of talents. This paper raises doubts on the validity of these results as evidence for the CC-theory and on the application of historical amenities as exogenous variation in general. Once we have proofed that our dataset basically delivers the same opera-effect we generate similar significances by applying brothels and breweries as historical amenities. Since there is no credible transmission to human capital, we suggest that rather the hosting cities of these amenities account for a long-run importance. These hosting cities were likely to be residential cities which united ruling power in ancient times. Including those ruling cities in various estimation approaches, the opera lose their effect on today's human-capital distribution. In conclusion, we stress the importance of institutions for long-run growth and the complex endogeneity-pitfalls in such estimation designs, applying historical amenities.

# SESSION THREE

## BANKING

THURSDAY 9:15 - 10:45

TAGUNGSRAUM 1

CHAIR: PROF. DR. MICHAEL ROOS

1 **WISHFUL THINKING OR EFFECTIVE THREAT?  
TIGHTENING BANK RESOLUTION REGIMES AND  
BANK RISK-TAKING**

Josef Korte (Goethe University Frankfurt, Frankfurt am Main, Germany) and Magdalena Ignatowski

We propose a framework for testing the effects of changes in bank resolution regimes on bank behavior, particularly on a variety of risk- and business-model measures. By exploiting the differential relevance of recent changes in U.S. bank resolution regimes (i.e., the introduction of the Orderly Liquidation Authority, OLA) for different types of banks, we are able to simulate a quasi-natural experiment to test otherwise endogenous effects in a difference-in-difference framework. To the best of our knowledge, this identification strategy is unique in its application to regulatory changes in bank resolution. To test our hypotheses, we assemble a large three level dataset: holding aggregates, bank level data, and loan level data. We find that banks that are more affected by the introduction of the OLA (1) significantly decrease their overall risk-taking (as measured by both accounting and market data) and (2) shift their business model and loan origination towards lower risk, indicating the overall effectiveness of the regime change. This effect, however, does (3) not hold for the largest and most systemically important banks, indicating that the application of the OLA is not a credible threat to these institutions, leaving the too-big-to-fail problem unresolved. Our results contribute to the emerging literature evaluating the implications of new regulatory policies and yield relevant conclusions for the design of bank resolution law, e.g., in the context of the European Banking Union.

## **2 ESTIMATING REAL EFFECTS OF BANK LENDING SUPPLY: BIAS FROM FIRMS' CURRENT SITUATIONS AND FUTURE EXPECTATIONS**

**Manuel Wiegand** (Ifo Institute, Munich, Germany)

and Michael Kleemann

Is there a bank lending channel or can the relationship between credit supply and economic growth be explained by firm-side factors? Using a matching estimator based on data for German firms between 2003 and 2011, we find that restrictive bank lending supply has a negative effect on firm-level employment growth when controlling for firms' balance sheets only. This effect turns insignificant when we control for survey-based assessments of firms' current business situations and future expectations. This indicates that the focus on balance sheet variables, which is common in the literature, induces an overestimation of real effects of credit supply.

## **3 TAXING WALL STREET: THE CASE OF BORING BANKING**

**Rafael Aigner** (Max Planck Institute for Research on Collective Goods, Bonn, Germany) and Felix Bierbrauer

How do taxes in the financial sector affect real economic outcomes? We analyze a general equilibrium model with financial intermediation. A tax designer with a fixed revenue requirement faces a trade off between burdening the banks and burdening the households. Tax systems which favor the banks induce a small financial sector and distort labor supply downwards. Tax systems which favor the households induce a large financial sector and heavily tax profits. We also examine the general equilibrium effects of various proposals to reform the VAT treatment of financial services.

# SESSION FOUR

## HOUSING

THURSDAY 11:00 - 12:30

VERANSTALTUNGSSAAL

CHAIR: JUN.-PROF. DR. MICHAEL STEIN

1 **HOUSING TENURE, EDUCATION AND LABOUR  
MARKET OUTCOMES: IS HOMEOWNERSHIP LINKED TO  
OVERQUALIFICATION? EVIDENCE FROM UK MICRODATA.**

**Maria Cesira Urzì Brancati**

(University of Modena and Reggio Emilia, Modena, Italy)

This study explores the relationship between housing tenure and labour market outcomes for UK graduates. Homeowners are, in general, less mobile, and low geographical mobility is believed to have an impact on labour market status, both in terms of unemployment (Oswald Hypothesis) and in terms of overqualification (Frank's theory of differential overqualification). However, homeowners are also wealthier - in that they have a valuable asset that renters do not have - and wealthier individuals can afford longer labour market search (Blundell, 1997; Stancanelli, 1999; Bloemen 1997). In this empirical analysis I try to assess the relationship between homeownership and overqualification using data from the British Household Panel Survey (1991-2008). I show that, controlling for a vast array of socio-demographic characteristics and allowing for unobserved individual heterogeneity, homeowners are significantly less likely to be overqualified than renters. By further decomposing housing tenure into outright ownership, mortgage ownership, private renting and social renting, we see that the probability of being overqualified is substantially higher among social renters (the least mobile) than private renters (the most mobile). There are no gender differences among owners, however female renters are significantly more likely to be overqualified than male renters.

## 2

### **ANALYSIS OF SPATIAL DEPENDENCE IN APARTMENT OFFERING PRICES IN HAMBURG, GERMANY**

**H. Lea Eilers** (Rheinisch-Westfälisches Institut für Wirtschaftsforschung e.V. (RWI), Essen, Germany) and J. Paul Elhorst

This paper applies spatial econometric techniques to a hedonic apartment price model employing maximum-likelihood techniques. Accounting for spatial dependence of apartment offering prices in Hamburg, Germany, the empirical analysis uses a semi-logarithmic price equation based on 4,029 offered apartments between 2008 and 2010. Starting with the traditional hedonic OLS-regression, the spatial Durbin model and a spatial weight matrix based on the 15 nearest neighbours are found to describe the data best. Estimation results show that apartment prices exhibit a positive relationship with neighbouring apartments. In addition to a high spatial autoregressive parameter, the estimated spillover effects (following the methodology of LeSage and Pace, 2009) show significant results. Consequently, a change in a single explanatory variable in a particular apartment not only affects the apartment price itself but also of neighbouring apartments. Following the estimation results, spatial dependence is present, least-square estimates are biased and spatial hedonic models do explain more of the price variation with significant indirect effects in the spatial Durbin model.

## 3

### **REGIONAL US HOUSING PRICE FORMATION: ONE SIZE FITS ALL?**

**André K. Anundsen** (Norges Bank, Sentrum, Norway) and Christian Heebøll

Does a “one size fits all” approach apply to the modeling of regional housing price determination? To answer this question, we exploit a panel of 100 US Metropolitan Statistical Areas over the period 1980q1-2010q2. For each area we estimate a separate cointegrated VAR model, focusing on differences in the effect of subprime lending and adaptive expectation formation. Our results demonstrate substantial differences in the importance of the subprime expansion for housing price determination across regional housing markets. Specifically, we find a greater impact of subprime lending in areas with a high degree physical and regulatory restrictions on land supply. Likewise, lagged housing price appreciation - interpreted as capturing an adaptive expectation channel - is found to be more important in areas where the supply of dwellings is more constrained, in areas belonging to a state with non-recourse lending and in more populous areas. Our results also suggest that disequilibrium constellations are restored more slowly in areas located in a state with non-recourse lending.

# SESSION FIVE

## INDUSTRIAL ORGANIZATION

THURSDAY 11:00 - 12:30

TAGUNGSRAUM 2

CHAIR: PROF. DR. JULIO ROBLEDO

### 1 VERTICAL STRUCTURE AND FORWARD CONTRACT IN ELECTRICITY MARKET

[Yuanjing Li](#) (University of Paris Ouest la Défence Nanterre,  
Nanterre, France)

The pro-competitive effects of forward contracts in electricity market cannot be regarded alone without examining the market structure. In this paper, we show that under retail competition, spot market demand uncertainty and risk aversion, partially or fully integrated electricity generators and retailers have less incentives to be involved in trading electricity under forward contracts. Therefore, the effect of market power mitigation of forward contracts is countered by this vertical relationship between retailers and generators since it provides a natural hedging device as a substitute of forward contracts to the retailers. Both analytic framework and numerical simulation suggest that the optimal quantity of forward sales decreases and spot price increases with the degree of vertical control of retailers over generators' assets. We thus conclude that the retailers' ownership over generators' profits could give rise to generators exercising market power in electricity spot market.

## **2 FIRST EXPERIENCES WITH HEDONIC PRICE INDEXES FOR MOBILE COMMUNICATION**

**Lukas Seger** (University of Fribourg, Fribourg, Switzerland)

Presently used methods to compare mobile communication prices across companies base on minimal cost contracts for consumption profiles. This profile based approach is cost efficient to do, but ignores major elements of contracts as demographic specifications, phones sold, data traffic or several flat rates. Based on an independent sample of phone bills, monthly billed amounts are related to units consumed (minutes, text messages, ... ) and form the underlying hedonic function. Standard price index formulas are used with the double-imputation method to compare prices across companies and time. Hedonic price indexes are used so far for housing or technology products to adjust for quality. Here, they are modified to evaluate prices according to quantities or units consumed. As this is a first experience with hedonic price indexes for mobile communication, an entire creation process is illustrated and discussed.

## **3 INVESTMENT AND ADAPTION AS COMMITMENT DEVICES IN CLIMATE POLITICS**

**Anna-Katharina Topp** (European University of Viadrina, Frankfurt an der Oder, Germany), Clemens Heuson, Wolfgang Peters and Reimund Schwarze

It is well established that adaptation and technological investment in each case may serve as a commitment device in international climate politics. This paper for the first time analyzes the combined impact of these two strategic variables on global mitigation within a non-cooperative framework where countries either decide on mitigation before or after adaptation. By investment, which is assumed to be made in the first place due to its considerable lead time, countries commit to lower national contributions to the global public good of mitigation. We find that the sequencing of adaptation before mitigation reinforces this strategic effect of technological investments at least for sufficiently similar countries. As a consequence, the subgame-perfect equilibrium yields a globally lower level of mitigation, and higher global costs of climate change when adaptation is decided before mitigation. Besides this theoretical contribution, the paper proposes some strategies to combat the unfortunate 'rush to adaptation' which can be currently observed in climate politics.

# SESSION SIX

## HEALTH

THURSDAY 11:00 - 12:30

TAGUNGSRAUM 1

CHAIR: PROF. DR. MARTIN KARLSSON

### 1 SUPERMARKET AND THE NUTRITION TRANSITION IN KENYA

**Ramona Rischke** (Georg-August-University of Göttingen, Göttingen, Germany), Simon Kimenju, Matin Qaim and Stephan Klasen

Many low income countries are experiencing a “nutrition transition” towards the consumption of more energy-dense, highly processed foods and beverages that are often high in caloric sweeteners, fat and salt. Changing lifestyles and urbanisation have coincided with a “retail revolution”, a rapid advance of large supermarkets even in remote areas. Among the consequences of the nutrition transition have been expanding waistlines and surging rates of nutrition-related non-communicable diseases including diabetes, heart diseases and certain cancers. Given the prevailing rates of under-nutrition, affected countries face a double burden of malnutrition and individuals overcoming food poverty risk remaining health poor. While quickly establishing a secure market share, the effect of supermarkets on consumers’ diets remains unclear: By offering stable and consistent access to a wide range of foods with different dietary qualities, they could either discourage or contribute to the consumption of a well-balanced diet. This paper investigates the effect of large supermarkets on consumption patterns using cross-sectional household survey data collected in Kenya in 2012. In order to establish causality, our sample was designed to be quasi-experimental in nature with study sites differing in their access to supermarkets, i.e. the timing of supermarket penetration. We employ instrumental variable techniques to account for potential endogeneity due to selection effects on supermarket purchases. Our findings suggest that supermarket purchases increase the consumption of processed foods at the expense of unprocessed foods. Supermarkets are associated with higher expenditure as well as calorie shares of processed foods. At the same time, we do not find an effect on overall consumption in terms of total calories consumed (inside home) or total food expenditure. Supermarket purchases have a positive effect on dietary diversity.

## **2 A FIELD EXPERIMENT ON AUDIT RULES WITH AN APPLICATION TO LONG-TERM CARE**

**Sandra Vriend** (VU University Amsterdam, Amsterdam, The Netherlands), Maarten Lindeboom and Bas van der Klaauw

We provide evidence from a large-scale field experiment on the performance of various audit rules in the Dutch market for long-term care. We look at various types of incentives, relating to the possibilities for corrections in case of noncompliance and the incorporation of trust in audit rules. More specifically, we assess the effect of exogenous and performance-related variation in the timing of audit on the number of applications filed and the quality of those applications, that is the fraction of audits approved. Audits can take place ex-ante (before care can be provided) or ex-post (after care provision has started); only the former allows for correction of the type and/or amount of care requested. The results show that compared to ex-post auditing, ex-ante auditing is associated with a somewhat smaller number of applications filed. The number of applications filed is significantly lower when using performance-related timing of audit instead of ex-post auditing. We do not find an effect on application quality, i.e., the fraction of audits approved.

## **3 LONG TERM EFFECT OF BATTLE SHOCK ON HEALTH AND WEALTH OUTCOMES IN CHINA**

**Jian Li** (Goethe University Frankfurt, Frankfurt am Main, Germany)

In this paper, I investigate the long term effects of the 2nd Sino-Japan war (WWII) and the later civil war (1937 - 1950) on health and wealth outcomes of 45+ elder individuals in China. I combine a unique armed conflicts data set collected from historical documents with individual survey data from the China Health and Retirement Longitudinal Study (2011 National Survey). I find that exposure to the battle shock would significantly reduce later adult health outcome such as lung function. Moreover, the later wealth accumulation is also affected negatively. According to my conservative estimates, exposure to battle shock would reduce the lung capability by around 5% compare with the population mean and the wealth level by around 21% compare with non-shocked group. A life-cycle model calibrated to Chinese environment reveals the mechanism that loss in health stock at early development stage can generate relatively large difference in wealth accumulation later in life.

# SESSION SEVEN

## EDUCATION

THURSDAY 13:15 - 14:45

VERANSTALTUNGSSAAL

CHAIR: JUN.-PROF. DR. MARIE PAUL

**1 THE IMPACT OF SCHOOLING ON WORK-RELATED TRAINING OF OLDER WORKERS - EVIDENCE FROM A SCHOOLING REFORM**

**Anica Kramer** (Rheinisch-Westfälisches Institut für Wirtschaftsforschung e. V. (RWI), Essen, Germany) and Marcus Tamm

This paper addresses the question to which extent the complementarity between education and training is causally due to differences in previous skill acquisition or due to unobservable time-invariant factors (e.g. innate ability). The identification is based on exogenous variation in length of schooling due to reforms to the schooling system. While OLS estimates are highly significant our IV estimates do not confirm that schooling causally influences participation in work-related training of employees.

**2 THE EFFECTS OF CLASS SIZE ON SCHOOL PERFORMANCE: A NONPARAMETRIC STUDY WITH NEW CONSTRAINED INSTRUMENTAL VARIABLE METHODS**

**Petyo Bonev** (University of Mannheim, Mannheim, Germany)

I analyze the effect of class size on test scores. There is no general agreement in the literature about the direction and significance of this effect. I develop a nonparametric test for monotonicity under endogeneity and apply it to three datasets using three different instruments. The results indicate that the effect of class size is non-monotone. I demonstrate how a non-monotone causal effect together with differences in the ranges of observed class sizes can potentially explain the controversy that exists within the literature. I derive implications for economic theory. My test for monotonicity is based on an empirical distance between the data and a constrained Tikhonov estimator. I develop a framework in which a broad class of Tikhonov estimators is revealed as projections of the data on some space. This characterization has the advantage that constraints are easily imposed.

3

### **THE CAUSAL EFFECT OF EARLY CHILDHOOD LANGUAGE TRAINING PROGRAMS ON THE FORMATION OF GRAMMAR SKILLS**

**Daniel Kamhöfer** (University of Duisburg-Essen, Essen, Germany)

While a lot of studies analyze children's benefits of preschool attendance compared to noninstitutional care (e.g. through relatives), this paper sheds light into the black box of kindergarten education. Using the German National Educational Panel Study I regress the level of grammar skills on the participation in a nationwide used language training program and a rich set of control variables. By having additional information on mathematical skills, I am able to employ matching and differences-in-differences models. Moreover, a regression-adjusted differences-in-differences propensity score matching approach is estimated in order to establish a causal effect. The estimated effects of participation in a language training program on grammar skills range between 15% and 20% of a standard deviation and are highly significant.

# SESSION EIGHT

## MONETARY POLICY

THURSDAY 13:15 - 14:45

TAGUNGSRAUM 2

CHAIR: PROF. DR. LUDGER LINNEMANN

### 1 POLICY COORDINATION AND MACROECONOMIC STABILITY UNDER SOVEREIGN RISK

**Dennis Bonam** (VU University Amsterdam, Amsterdam, The Netherlands) and Jasper Lukkezen

In standard macroeconomic models, debt sustainability and price level determinacy are achieved when fiscal policy avoids explosive debt and monetary policy controls inflation, irrespective of the relative strengths of each policy stance. We examine how the requirements for equilibrium determinacy and stability change in the presence of sovereign risk. An increase in sovereign risk reduces the willingness to hold government debt and raises consumption and inflation. Therefore, inflation and debt dynamics are no longer determined separately. To ensure stable macroeconomic conditions, both the fiscal and monetary stance must shift to offset debt sustainability concerns. We find that the adoption of a deficit target helps alleviate such concerns and raises the scope for macroeconomic stability.

### 2 THE EFFECTS OF LARGE-SCALE ASSET PURCHASES IN AN ESTIMATED DSGE MODEL OF THE US ECONOMY

**Benjamin Niestroj** (RGS Econ / TU Dortmund University, Dortmund, Germany), Andreas Schabert and Roland Winkler

The present study seeks to identify the effects of large-scale asset purchases on the U.S. economy. For this purpose we employ a DSGE model with financial frictions and an explicit specification of the central bank's balance sheet policy options. Specifically, we model a banking sector which requires money reserves to facilitate financial intermediation. Money reserves are supplied by the central bank in exchange for eligible assets. We estimate the model for the US economy by employing Bayesian techniques. Further we conduct a counterfactual policy simulation experiment to quantify the effectiveness of LSAP 2. We find that output contraction following the simulated crisis event is dampened by 2.75 percent.

### 3

## UNCERTAINTY OF INTEREST RATE PATH AS A MONETARY POLICY INSTRUMENT

Yildiz Akkaya (Bilkent University, Ankara, Turkey)

In recent years, policy makers have increasingly utilized forward guidance, or the signaling of the future path of monetary policy, as an important ingredient of their monetary policy mix. Typically, explicit numerical forward guidance leads to a decrease in both the expected future spot rate and the uncertainty around policy rate expectations, suggesting a new transmission mechanism of forward guidance on the real economy. In this paper, I study the effects of a change in the uncertainty about the future path of monetary policy on the dynamics of both a closed economy and an open economy in a two-country world. The main findings are that i) The impacts of a change in the volatility of the interest rate in both models mimic the impacts of a change in the level of the interest rate. Thus, using volatility of interest rate as a policy tool, when the interest rate level cannot be changed due to constraints like the zero lower bound, has effects similar to an interest rate reduction; ii) An increase in the uncertainty about the future policy path leads to a decrease in the current account deficit and an appreciation of the exchange rate.

# SESSION NINE

## MICROECONOMIC THEORY

THURSDAY 13:15 - 14:45

TAGUNGSRAUM 1

CHAIR: JUN.-PROF. DR. LARS METZGER

### 1 CONTROL THYSELF: SELF-CONTROL FAILURE AND HOUSEHOLD WEALTH

[Spyros Palligkinis](#) (Goethe University Frankfurt, Frankfurt am Main, Germany) and Nina Biljanovska

This paper examines the relationship between household wealth and self-control failure. Although self-control has been considered to influence consumption and financial behavior, especially with regard to debt accumulation, empirical literature has tended to rely mostly on ad hoc measures or proxies for self-control. We employ a definition of self-control failure that follows literature in psychology, which suggests that three factors can render self-control defective: lack of planning, lack of monitoring and lack of commitment to earlier set plans. Our self-control failure measure consists of a combination of those three ingredients and can be computed using a standard representative survey. We find that self-control failure is strongly associated with different household net wealth measures and with self-assessed financial distress. Further analysis shows that all three ingredients contribute quantitatively to the results.

### 2 STRATEGY-PROOF PACKAGE ASSIGNMENT

[Albin Erlansson](#) (Lund University, Lund, Sweden) and Karol Szwagrzak

We examine the strategy-proof allocation of multiple divisible and indivisible resources; an application is the assignment of packages of tasks, workloads, and compensations among the members of an organization. We find that any allocation mechanism obtained by maximizing a separably concave function over a polyhedral extension of the set of Pareto-efficient allocations is strategy-proof. Moreover, these are the only strategy-proof and unanimous mechanisms satisfying a coherence property and responding well to changes in the availability of resources. These mechanisms generalize the parametric rationing mechanisms (Young, 1987), some of which date back to the Babylonian Talmud.

### **CONSEQUENCES OF CONNECTION FAILURE - CENTRALITY AND THE IMPORTANCE FOR COHESION**

**Julia Belau** (RGS Econ / TU Dortmund University, Dortmund, Germany)

This paper suggests a new approach for centrality measures for general (weighted) networks taking into account the importance for cohesion and relative power of connections. While existing literature either ignores the importance for cohesion or measures it by analyzing consequences arising from the failure of whole nodes, this approach analyzes consequences of tie failures. Using cooperative game theory, we assign weights to every tie of the network where the cooperative game accounts for the cohesion of the network. These weights are combined with the weights of the original network where emphasis for the latter and for cohesion can be regulated individually. Then, Freeman's degree, closeness and betweenness measures are applied. This provides the first centrality approach accounting for cohesion and relative importance/power of connections. We provide an example where we use our measure for relative importance and identification of top key nodes and argue why existing measures are not suitable. Relative importance for cohesion taking into account failure consequences of connections is of recent importance considering for example the current Euro crisis and the resulting monetary flows for the bail-out packages.

# SESSION TEN

## FDI

THURSDAY 17:30 - 18:30

VERANSTALTUNGSSAAL

CHAIR: JUN.-PROF. DR. MICHAEL STEIN

### 1 **ECONOMIC DEVELOPMENT AND THE DIRECTION OF FDI FLOWS**

**David Gomtsyan** (University of Turin, Turin, Italy)

Evidence suggests that advanced economies make relatively more FDI than developing countries. This paper uses a model with heterogeneous multinational firms to explain this relationship. In the model developed countries make relatively more FDI because the average productivity of firms in these countries is higher, thus there are more firms with sufficiently high productivity levels, that can profitably enter into foreign markets. Another empirical observation is that advanced countries also attract more FDI as a share of GDP. The paper argues that this is due to relatively high risks and regulatory barriers in developing countries, which make entry into these markets more difficult. Furthermore, the model generates return to FDI that is higher than the international lending rate. This feature of the model can explain why advanced countries earn higher returns on their international assets.

## **WHO BENEFITS FROM AID FOR TRADE? COMPARING THE EFFECTS OF RECIPIENT VERSUS DONOR EXPORTS**

**Birgit Meyer** (Christian-Albrechts-University of Kiel, Kiel, Germany), Philipp Hühne and Peter Nunnenkamp

Recent studies over an ambiguous picture on the effectiveness of foreign aid in strengthening the export capacity of recipient countries. Moreover, the literature on aid for trade (AfT) has often neglected that exporters in the donor countries may be among the main beneficiaries. We hypothesize that AfT is as much in the self-interest of donor countries as it may have promoted the exports of recipient countries. We simultaneously estimate and compare the effects of AfT on trade in both directions. We find that AfT increases recipient exports to donors as well as recipient imports from donors. The first effect tends to dominate the latter, which contradicts the skeptical view that donors grant AfT primarily to promote their own export interests.

# SESSION ELEVEN

## FINANCIAL CRISIS

THURSDAY 17:30 - 18:30

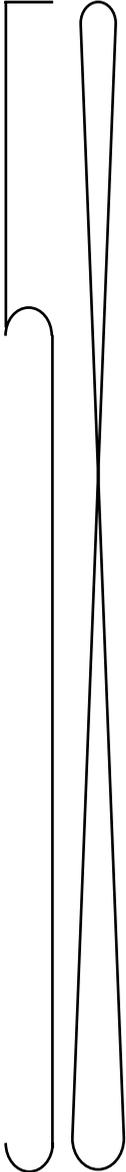
TAGUNGSRAUM 2

CHAIR: JUN.-PROF. DR. ROLAND WINKLER

### 1 DETERMINANTS OF UIP DEVIATIONS: EFFECTS OF THE RECENT FINANCIAL CRISIS

[Barbara Sadaba](#) (Tinbergen Institute - Erasmus University  
Rotterdam, Rotterdam, The Netherlands)

This paper estimates a latent factor decomposition of the quarterly uncovered interest parity (UIP) deviations for nine developed and seven emerging economies currencies with respect to the US Dollars over the period 1981Q3-2012Q4. The UIP deviations are calculated as the difference between the interest rate differentials between two countries and the expected change in the bilateral exchange rates. First, we extract a stochastic level component from each deviation in a univariate random walk model. This is the time varying risk premium. On a second step, we include a common factor with time varying factor loadings to decompose the deviations into idiosyncratic risk and exposure to common risk. Finally, we extend the model to include six macroeconomic fundamental variables with time varying coefficients. The results suggest that the idiosyncratic stochastic component, the global common factor, inflation, foreign exchange reserves and public deficits are important in explaining UIP deviations, specially after the recent global financial crisis.



## 2 **THE LAW OF ONE PRICE AND THE FINANCIAL CRISIS: EVIDENCE FROM THE U.S. AND THE CANADIAN EQUITY MARKETS**

I. Leon Sorkin (The Graduate Center, City University of New York, New York, USA)

The theory of the Law of One Price (LOOP) is one of the most important theories in International Economics. I use financial markets to revisit the validity of the LOOP in the short run, and then extend the analysis into the long-run to examine whether events such as the Financial Crisis of 2007-2009 can lead to the failure of the LOOP or worsen deviations from it. Using the data on 54 Canadian companies cross-listed on the New York Stock Exchange, I find strong support that the LOOP holds in a cross-sectional framework despite the fact that the sample includes a highly volatile period. This is in contrast to the consensus in the literature that the LOOP is observed as a long-term phenomenon. However, in the long run the relative Law of One Price holds for only a third of the stocks individually. Moreover, it fails when the aggregate portfolio is considered, creating a major contradiction to the cross-sectional results. Another finding is that the Financial Crisis of 2007-2009 had a significant and persistent effect by increasing the deviations from the law.

# SESSION TWELVE

## INCOME INEQUALITY

THURSDAY 17:30 - 18:30

TAGUNGSRAUM 1

CHAIR: PROF. DR. REINHOLD SCHNABEL

1 **THE ROLE OF EDUCATION AND HOUSEHOLD COMPOSITION FOR TRANSITORY AND PERMANENT INCOME INEQUALITY - EVIDENCE FROM PSID DATA**

Johannes Ludwig (RGS Econ / Ruhr University Bochum, Bochum, Germany)

Transitory and permanent shocks to income have been shown to be important determinants of household consumption. This paper shows that there are significant differences in the development of transitory and permanent inequality of household income between demographic groups since the 1980s. Using data from the Panel Study of Income Dynamics the educational attainment and the composition of a household are found to play a key role. While permanent inequality increases steadily for educated households, it is flat over large parts of the sample period for the less educated households. Transitory inequality increases for all households headed by couples whereas it is constant for single households. Taken together, permanent shocks explain on average a larger part of the income variance of educated households whereas transitory shocks are relatively more important for the less educated. These results that can be explained by changes to skill demand and an increased female labor force participation are potentially able to explain empirical findings on the transmission of changes in income inequality to consumption inequality.

2

## **INEQUALITY AND HOUSEHOLD DEBT: A PANEL COINTEGRATION ANALYSIS**

**Mathias Klein** (RGS Econ / TU Dortmund University,  
Dortmund, Germany)

This study investigates whether there exists an empirical long-run relationship between income inequality and household debt. By using panel cointegration techniques, we find that inequality and leverage are cointegrated of order one and therefore share a common trending relation. Removing this trend by first differencing the series leads to biased inference. Our results are robust to different indicators for household debt and alternative inequality measures.



# SESSION THIRTEEN

## FINANCIAL MARKETS 1

FRIDAY 09:00 - 10:30

VERANSTALTUNGSSAAL

CHAIR: JUN.-PROF. DR. ROLAND WINKLER

### 1 THE COST OF REGULATION: EVIDENCE FROM ITALY

[Tobias Rühl](#) (University of Duisburg-Essen, Essen, Germany)  
and Michael Stein

This study gives first evidence on the consequences of the introduction of a transaction tax on Italian financial markets in 2013. We discuss the consequences of this tax on trading volume, volatility and trading costs measured by the bid-ask spread of FTSE MIB stocks. The structure of the tax introduction gives us the opportunity to see the particular consequences of a tax on high frequency trading behavior.

### 2 MOMENTUM PROFITS, MARKET CYCLES, AND REBOUNDS: EVIDENCE FROM GERMANY

[Philipp Kaufmann](#) (Westfälische-Wilhelms-University Münster, Münster, Germany)

Recent evidence shows that U.S. price momentum strategies suffer tremendous losses in times of highly volatile market recoveries. We extend the existing literature by analyzing the performance of both price and earnings momentum portfolios across different market states. For our German sample, we find that the long-short price momentum strategy loses almost 9% per month during market rebounds. This so-called momentum crash is solely due to recovering loser stocks. After a prolonged bear market hits bottom, the loser portfolio is mostly composed of highly volatile and leveraged small-cap stocks, which have lost nearly 83% of their market value over the preceding year and are thus susceptible to heavy rebounds. Interestingly, the momentum crash phenomenon seems to disappear once we control for exposures to the Fama-French factors, with the market factor being the most relevant. By contrast, earnings momentum strategies are less affected by market rebounds and also consistently outperform price momentum strategies on a risk-adjusted basis.

### **MORAL HAZARD, BANK RISK TAKING, AND PRUDENTIAL REGULATION: A WELFARE ANALYSIS**

**Michael Kogler** (University of St. Gallen, St. Gallen, Switzerland)

This paper examines bank risk taking from a welfare perspective and derives optimal regulation. The innovation is that this topic is analyzed using a two-sector equilibrium model with two hidden actions, loan risk and diversification, and a full-fledged deposit market, which allows for a comprehensive welfare analysis. Moral hazard makes the banker's actions sensitive to the capital structure; a second-best contract solves the principal-agent problem. Due to the combination of moral hazard and perfect competition, however, a pecuniary externality leads to inefficiently large banks thereby eroding profits and resulting in too high loan risk and overspecialization. This provides a rationale for prudential regulation under weak assumptions. A constrained social optimum can be achieved either by minimum capital requirements or by deposit rate ceilings. Regulation necessarily involves a redistribution from depositors to banks. Imperfect competition allows for partial internalization but is associated with inefficient oligopolistic rents. As a result, financial liberalization may increase social welfare but needs to be complemented by regulation.

# SESSION FOURTEEN

## PUBLIC ECONOMICS

FRIDAY 09:00 - 10:30

TAGUNGSRAUM 2

CHAIR: PROF. DR. WOLFRAM RICHTER

### 1 THE SHORT- AND LONG-RUN EFFECTS OF FISCAL CONSOLIDATION IN DYNAMIC GENERAL EQUILIBRIUM

Tim Schwarz Müller (Kiel Institute for the World Economy, Kiel, Germany) and Maik H. Wolters

We provide a systematic analysis fiscal consolidation in a dynamic general equilibrium model with a detailed government sector and a share of credit-constrained households. We simulate permanent cuts in government consumption, government investment, and transfer payments and we also simulate permanent increases in the labor, capital and consumption tax rate. Ordering these consolidation strategies by multiplier size or their welfare consequences leads to very different rankings. With respect to welfare gains cuts in government consumption rank highest because they yield the largest increase in private consumption in the short- and long-run, which however comes at the cost of large temporary reductions in output. Cutting transfers has the largest positive effects on output, yet the welfare consequences rank lowest since labor input does not decrease so that there is no increase in leisure. Cuts in government investment and capital tax increases have detrimental effects on output in the short- and long-run. But from a welfare perspective they do not rank lowest because slow convergence to the final steady state leads to substantial discounting of the implied long-run drop in consumption. We analyze the short- and long-run transmission channels of the different consolidation instruments to explain these different outcomes. Furthermore, we study how the transmission of fiscal consolidation changes in the case of a binding zero lower bound on nominal interest rates.

## 2 COMMODITY TAXATION IN DURABLE GOODS MARKETS

Lars Just (University of Bayreuth, Bayreuth, Germany)  
and Salem Šaljanin

We consider the effects of commodity taxation in durable goods markets. First, we show that social welfare is higher under ad valorem taxation than under unit taxation; this advantage is increasing in durability in case of renting, while an increase in durability has an ambiguous effect in case of selling. Second, taxation may increase profits when the good is sold due to a mitigation of the commitment problem. Third, unit taxation implies an inefficiently high durability in case of renting, but counteracts the phenomenon of “planned obsolescence” in case of selling; an ad valorem tax is neutral concerning durability.

## 3 LEGAL SYSTEMS AND ELECTORAL RULES

Timothy Yeung  
(Toulouse School of Economics, Toulouse, France)

This paper explains the adoption of different types of electoral rules by the difference in the ease of implementing targeted transfer. Following Rokkan (1970), I model the choice of electoral system as a choice of the political elite (the rich) who holds the political power under a winner-takes-all system (WTA) before universal suffrage is enacted. If the elected party is more able to transfer tax revenue to the people it represents, the political elite is more likely to adopt proportional representation (PR) so as to avoid any undesirable redistribution associated with a leftist government. I argue that civil-law countries are associated with a statist constitution that aims at facilitating the government's freedom. Hence the transfer constraint is loose and we expect that civil-law countries are more likely to adopt PR. In the extension, I explain the adoption of the superposition mixed electoral system given that the choice of electoral system is determined by a referendum. This type of mixed system is only attractive to a small subset of common-law countries, while the poorer civil-law countries are more likely to switch to the mixed system than the richer ones.

# SESSION FIFTEEN

## INTERNATIONAL TRADE

FRIDAY 11:00 - 12:30

VERANSTALTUNGSSAAL

CHAIR: JUN.-PROF. DR. MICHAEL STEIN

### 1 TRADE LIBERALIZATION AND INFORMALITY

[Taylan Yenilmez](#) (Tinbergen Institute - Erasmus University Rotterdam, Rotterdam, The Netherlands)

Numerous empirical studies from developing countries have reported that industrial average productivity increases as a result of trade liberalization. However, these studies use formal (registered) firm data while a significant fraction of firms in developing countries is informal (unregistered). To analyze the effect of informal sector on the estimation of productivity gains, I present a model of firm heterogeneity with formal and informal sectors. The model shows that trade liberalization leads to two types of movement: the least productive informal firms exit the industry and the least productive formal firms informalize. The exit of the least productive informal firms increases the average productivity of the industry as standard in the existing literature. However, the informalization of the least productive formal firms increases average productivity of both formal and informal sectors without changing the average productivity of the entire industry. When the number of informalizing firms is sufficiently high, the average productivity increase in the formal sector exceeds that of the entire industry. Therefore, the model shows that reporting the average productivity increase in the formal sector might lead to an overestimation problem.

## 2 EXPORTS AND INSTITUTIONS IN MODERN SECTOR DEVELOPMENT

**Rainer Grundmann** (University of Paderborn, Paderborn, Germany) and Thomas Gries

Over the past decades there has been ample evidence that a manufacturing sector plays an important role in overall development. In East Asia, recent job creation in industry has lifted large parts of the population to higher income levels. However, while this connection is well supported by anecdotal evidence as well as empirical and theoretical research, there is less evidence on what exactly supports modern sector development. We use cross-country time-series data for around 75 developing countries to ask whether international trade and institutions, both subject to much discussion in the general development debate, play a special role in manufacturing sector growth. Our estimation results, produced using an instrumental approach that is less susceptible to endogeneity issues, show that indeed both, exports and institutions, are vital for a manufacturing sector. Our results also provide interesting insights on the role of natural resources and official development aid.

## 3 TRADE, THE SKILL PREMIUM AND GLOBAL INEQUALITY

**Demian Calin-Vlad** (Central European University, Budapest, Hungary)

Liberalizing trade has had mixed effects on inequality: while some countries saw greater equality post-liberalization, others became more unequal. In this paper I examine the effects of trade liberalization on cross-country inequality and the skill premium in a multi-sector Ricardian model that features capital skill complementarity. The novel feature of my model is that I endogenize the relative supply of skilled and unskilled labor in a country based on worker heterogeneity and the relative payoff of education. Calibrating the model to a wide sample of developed and developing countries produces a rich set of results, consistent with empirical patterns, which goes a long way towards explaining the patterns of inequality across the world. Lower trade costs make goods more affordable for both skilled and unskilled workers. However, as utility is concave, unskilled workers benefit relatively more making acquiring education less attractive. Lower supply of skilled labor consequently pushes up its return. Therefore the initial income effect is opposed by a substitution effect. Which of these two effects dominates depends on country specific factors and on how much of the lower costs get passed on to consumers.

# SESSION SIXTEEN

## LABOR MARKETS

FRIDAY 11:00 - 12:30

TAGUNGSRAUM 2

CHAIR: PROF. DR. THOMAS BAUER

1 **DO SELF-DETERMINED WAGES REALLY IMPROVE  
EMPLOYEES' PERFORMANCE?  
EVIDENCE FROM A NATURAL FIELD EXPERIMENT**

**Sabrina Jeworrek** (University of Trier, Trier, Germany)  
and Vanessa Mertins

Recent laboratory evidence suggests that employees who have the extraordinary right to self determine their wages perform significantly better. By conducting a clean natural field experiment, our study aims at testing whether and to what extent this policy actually works in a real labor market. Employees were hired for a half day job to file business reports. After one hour of working time, a random sample of employees was allowed to choose their own wage, therewith receiving a strong signal of trust by their employer. Another group was denied this right, but was paid the same wages as have been chosen before. A last treatment group differed from the former only in the fact that employees were completely aware that others have been granted this extraordinary right before, thereby receiving a signal of distrust. By drawing on data from an afterwards additionally conducted follow up survey, we also try to identify the underlying channels. As expected, we find that performance is higher when employees self determine their wage, but the performance increase (about 12%) did not outperform the wage increase (about 20%). To the contrary, a pure monetary gift - a wage premium in addition to the formerly announced flat wage - did not result in any performance changes. Interestingly, we find no performance decrease in the face of signaling distrust. The surprisingly high level of performance seems to be driven by individuals scoring high on agreeableness and people who want to prove to be trustworthy.

2

## **THE BRITISH LOW-WAGE SECTOR AND THE EMPLOYMENT PROSPECTS OF THE UNEMPLOYED**

**Alexander Plum** (Otto von Guericke University, Magdeburg, Germany)

Are low-wages an instrument for the unemployed to switch within a medium-term period into a high-paid employment? Using data from the British Household Panel Survey (BHPS), the labor market dynamics of men up to six years after entering unemployment is analyzed. In the econometric model it is explicitly respected for correlated random effects between the three labor market states (high-paid, low-paid and unemployed). The results show that low-wages help significantly to reduce the risk of future unemployment. Indications are found that the calculated probability to obtain a high-paid job is noticeably influenced by the monetary level of the low-wage threshold and whether women are included in the sample.

3

## **CLOSED DOOR, TIGHT LADDER: IMMIGRANTS IN GERMAN ESTABLISHMENTS**

**Mario Bossler** (Institute for Employment Research, (IAB), Nuremberg, Germany)

Immigrants face a substantial wage gap in host country labor markets. Using unique and new linked Employer-Employee data from Germany I examine the extent of sorting of immigrants in worse paying establishments and study in which positions immigrants work within establishments. The results show that recent immigrants face substantial negative sorting, while immigrants with more than 20 years of host country experience are sorted into equally well paying establishments compared to native born Germans. When looking at the job positions within establishments, I find immigrants to be employed in worse positions, which accounts for half of the within establishment wage gap. However, the data does not show a meaningful assimilation path for sorting in high positions. Looking at the individual career development, immigrants are less likely to participate in performance appraisals and report a lower level of subjectively perceived development support at the current employer.

# SESSION SEVENTEEN

## FINANCIAL MARKETS 2

FRIDAY 11:00 - 12:30

TAGUNGSRAUM 1

CHAIR: PROF. DR. LUDGER LINNEMANN

### 1 AN EMERGING MARKET FINANCIAL CONDITIONS INDEX: A VAR APPROACH

[Michael A. Stemmer](#) (Panthéon-Sorbonne University, Paris, France) and Rémy Charleroy

The recent financial crisis has heightened the interest in the impact of financial sector developments on the macroeconomic condition of countries. By employing a rolling-window Vector Auto-Regressive method based on monthly data for a time span between January 2001 and March 2013, this article sets up a comprehensive financial conditions index for a set of major emerging countries. The index sheds light on the various triggers of financial crises during this period and captures both domestic developments as well as global spillover effects. Index dynamics exhibit an overall abrupt slowdown due to the 2007-2008 Financial Crisis, precipitated primarily through a global liquidity squeeze and overall financial sector strain. In some countries, rising volatility of financial conditions thereafter has substantially been sparked by nominal effective exchange rate movements. Tested on its forecasting applicability, the inclusion of macroeconomic and financial variables enables the index to also perform well as a leading indicator for business cycles.

## **2 WHY PREDICTION MARKETS WORK: THE ROLE OF INFORMATION ACQUISITION AND ENDOWMENT WEIGHTING**

**Christoph Siemroth** (University of Mannheim, Mannheim, Germany)

Prediction markets trade assets whose values are contingent on the occurrence of future events, like election outcomes. The asset prices have been shown to be consistently accurate forecasts of these outcomes, but we don't know why. I develop a model illustrating an information acquisition explanation. Traders with more wealth to invest have larger incentives to acquire information, thus tend to have better forecasts. Moreover, their trades have larger weight in the market. The interaction implies that a few well-endowed traders can move the market price toward the true value. One implication for institutional design is to overweight votes or investments of high endowment agents, which improves information aggregation over equal weighting, unless prior distribution accuracy and endowment is negatively related.

## **3 LEADING INDICATORS OF CURRENCY CRASHES IN THE EARLY WARNING SYSTEM**

**Houra Haghpanahan** (University of Leicester, Leicester, United Kingdom)

This paper evaluates the potential leading indicators of a currency crash by applying a quarterly panel of 22 developing countries from 1990 through 2012. I use a binomial logit model, which allows identifying a crisis event in one or two discrete states. It also provides the estimation of probability of currency crashes occurrence. The empirical results reveal that domestic credit growth, budget, lagged ratio of reserve to import, current account, lagged output growth, overvaluation of exchange rate, real exchange rate, and ratio of debt to GNP are consistently associated with the early warning theory. The overvaluation and debt are significantly related to the crash incident.

# SESSION EIGHTEEN

## ENERGY

FRIDAY 13:30 - 15:00

VERANSTALTUNGSSAAL

CHAIR: PROF. DR. MANUEL FRONDEL

### 1 **NATURAL DISASTER, POLICY ACTION, AND MENTAL WELL-BEING: THE CASE OF FUKUSHIMA**

**Christian Krekel** (DIW Berlin, Berlin, Germany), Jan Goebel, Tim Tiefenbach and Nicholas R. Ziebarth

We study the impact of the Fukushima disaster on people's mental well being in another industrialized country, more than 5000 miles distant. The meltdown significantly increased environmental concerns by 20% among the German population. Subsequent drastic policy action permanently shut down the oldest nuclear reactors, implemented the phase out of the remaining ones, and proclaimed the transition to renewables. This energy policy turnaround is largely supported by the population and equalized the increase in mental distress. We estimate that during the 3 months after the meltdown, Fukushima triggered external monetized health costs worth €250 per distressed citizen particularly among risk averse women.

2

## **ESTIMATING THE EFFECTS OF ENVIRONMENTAL POLICY USING THE ESTIMATES FROM HOUSEHOLD DEMAND SYSTEM**

**Dragana Nikodinoska** (Christian-Albrechts-University of Kiel, Kiel, Germany) and Carsten Schoeder

Household energy demand system is estimated using German micro data and employing the Almost Ideal Demand System (AIDS). The data set contains income and expenditures information, as well as other demographics characteristics of around 169 000 households, for the years 1993-2008. The following expenditure categories are included: food, electricity, other fuels, car fuels, and other goods aggregate. Income elasticities, as well as own and cross-price elasticities are evaluated for equivalent expenditures quartiles. Tax increase simulation is conducted in order to examine the effect of environmental tax change on consumer welfare, energy consumption as well as CO<sub>2</sub> emissions. The increase in the environmental tax on car fuels leads to largest welfare losses as percentage of income for the richest households, and lowest for the poorest ones.

3

## **EMPIRICAL DERIVATION OF A DAMAGE FUNCTION FOR HEAT WAVES IN EUROPE**

**Christin Erb** (University of Bern, Bern, Switzerland)

Extreme weather events such as heat waves are predicted to increase in intensity and frequency over the next century due to climate change. In contrast to other extreme events, heat waves usually cause many fatalities, while the reported market damages are relatively low. In order to analyse and compare different strategies of adaptation to heat waves, it is crucial to be able to quantify all damages from heat waves in monetary values. Therefore, the value of a statistical life is employed, who measures the tradeoff between monetary wealth and fatal safety risks. We use panel data methods for limited dependent variables to identify and quantify the variables that have an effect on damages, caused by heat waves in EU 27 countries and Switzerland between 1960 and 2010. These damage regression include market damages on the one hand and with the value of statistical life evaluated fatalities on the other hand. The developed econometric models are then applied to predict damages due to heat waves for the time period 2015 to 2060 for the EU-27 countries and Switzerland.

# SESSION NINETEEN

## MONETARY INTERNATIONAL ECONOMICS

FRIDAY 13:30 - 15:00

TAGUNGSRAUM 2

CHAIR: JUN.-PROF. DR. ROLAND WINKLER

### 1 **RELATIVE SECTORAL PRICES AND POPULATION AGEING: A COMMON TREND**

**Christoph Kaufmann** (Cologne Graduate School / University of Cologne, Cologne, Germany) and Max Groneck

Demographic change enhances demand for non-tradable old-age related services relative to tradable commodities. We claim that such a demographically induced demand shift increases the price for non-tradable services relative to tradable commodities. The effect on relative prices stems from imperfect mobility of labour across production sectors. We test our theory for a set of OECD countries between 1970 and 2009 and find a robust increase of relative prices which - ceteris paribus - also causes real exchange rate appreciations. Further findings confirm the relevance of the proposed channel of labour market imperfections: Countries with more rigid labour markets tend to experience stronger relative price effects after an increase of the old-age dependency ratio.

## 2 **CURRENCY CHOICE MOTIVATIONS AND STRATEGIC CHOICES AMONG EXPORTERS**

**Maria V. Sokolova** (University of Geneva, Geneva, Switzerland)

This paper uses highly disaggregated data on the population of Russian Federation exporters between 2005 and 2009 to study the determinants of currency pricing decisions. We test the relevance of the existing theories of currency pricing. First, we look at the different type of determinants resulting from strategic, micro- and macro-components of international trade. We acquire evidence that increase in bilateral trade lessens the reliance on USD and increases the probability of application of the trading partners' currencies. This is a novel fact of link between the bilateral trade expansion and currency choice of the exporters in favor of their or their partner's currency. Then we show that currency choice considerations vary among heterogeneous exporters, with smaller exporters gaining more from trade expansion. We record novel results in support of the bargaining over invoicing, that indicates that increase of the firm trade changes the preferences over the currency pricing. We find "overuse" of the vehicle currency pricing, most commonly USD, in international trade being a result of the change in trading partners' preferences.

## 3 **CURRENT ACCOUNT AND REAL EXCHANGE RATE CHANGES: THE IMPACT OF TRADE OPENNESS**

**Davide Romelli** (University of Cergy-Pontoise, Cergy-Pontoise, France), Cristina Terra and Enrico Vasconcelos

This article investigates the impact of trade openness on the relation between real exchange rate depreciation and current account. First, using data for developed and emerging economies for the period 1970-2011, we identify events of sudden stops of capital flows and of abrupt real exchange rate depreciations. Then, we investigate the relation between openness, real exchange rate depreciations, and changes in current account and in trade balance over these events. We find that, controlling for real exchange rate changes, more open economies experience a larger increase in current account and in trade balance. In other words, our results indicate that improvements in current account and in trade balance are accompanied by smaller real exchange rate depreciation in more open economies.

# SESSION TWENTY

## LABOUR PRODUCTIVITY

FRIDAY 13:30 - 15:00

TAGUNGSRAUM 1

CHAIR: PROF. DR. THOMAS BAUER

**1 DOES WELFARE DEPENDENT NEIGHBORS MATTER FOR INDIVIDUAL WELFARE DEPENDENCY? EVIDENCE FROM MERGED NEIGHBORHOOD DATA FOR GERMANY**

**Rui Dang** (RGS Econ / Ruhr University Bochum, Essen, Germany) and Thomas K. Bauer

Do peer groups affect individual welfare participation decisions? In this paper, we investigate whether the individual probability of receiving social benefit (ALG II) in Germany is influenced by the neighborhood welfare culture by estimating a local-average neighborhood effects model. We use a panel for years 2007-2010 constructed by enriching the geo-referenced German Socio-Economic Panel (GSOEP) with zipcode level social contexts and demographic information, which is generated from the administrative employment register of the German Federal Employment Agency; and the housing price data in Germany. The panel set-up and richness of data allow us to overcome the reflection problem. To transform the complex sorting problem into a model with one unobservable, we estimate a hedonic rental price regression as a control function. Our OLS and IV estimates show that the neighborhood social benefit recipient rate is positively correlated to the individual probability of receiving social benefit, and neighborhood effects estimated are robust. Moreover, we find heterogeneity in neighborhood effects and patterns of sorting bias for individuals with different housing tenure and immigration status. Our results suggest that place-based policies are effective in reducing welfare dependency of socioeconomically disadvantaged households and thus helping them escape the poverty trap.

2

## **HUSBAND'S UNEMPLOYMENT AND WIFE'S LABOR SUPPLY - THE ADDED WORKER EFFECT ACROSS EUROPE**

**Christian Rulff** (Ruhr University Bochum, Bochum, Germany),  
Julia Bredtmann and Sebastian Otten

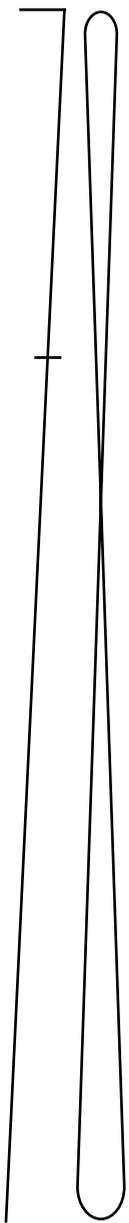
This paper investigates the responsiveness of women's labor supply to their husband's loss of employment - the so-called added worker effect. While previous empirical literature on this topic has mainly concentrated on a single country, we take an explicit internationally comparative perspective and analyze whether the added worker effect varies across the European countries. In doing so, we use longitudinal data from the European Union Statistics on Income and Living Conditions (EU-SILC) covering the period from 2004 to 2010. For our pooled sample of 27 European countries, we find evidence for the existence of an added worker effect. Women whose husbands become unemployed have a higher probability of entering the labor market than women whose husbands remain employed. However, this effect is mainly driven by wives' changes from inactivity to unemployment. Our results further reveal that the added worker effect acts countercyclical and varies over different welfare regimes within Europe. These results suggest that contextual factors, such as the countries' labor market conditions, culture or institutions, ultimately affect household decision-making and thereby the existence and the magnitude of the added worker effect.

3

## **DETERMINANTS OF USING FIXED-TERM CONTRACTS IN THE EGYPTIAN LABOR MARKET: EMPIRICAL EVIDENCE FROM MANUFACTURING FIRMS USING WORLD BANK FIRM-LEVEL DATA FOR EGYPT**

**Ahmed Fayez** (Leuphana University of Lüneburg, Lüneburg, Germany)

Based on dual labor market theory, fixed-term contracts (FTCs) as an important feature of labor market flexibility are analyzed to test the following hypothesis: Firms in the manufacturing sector in Egypt use FTCs for the peripheral workforce to adjust the level of employment to the profit maximizing level in case of demand fluctuations. The hypothesis is supported by the results of the econometric analyses with a firm-level data set from the World Bank Enterprise Surveys. Probit and Tobit models were used to estimate the probability and intensity of FTCs utilization in Egypt.



# LIST OF PRESENTERS

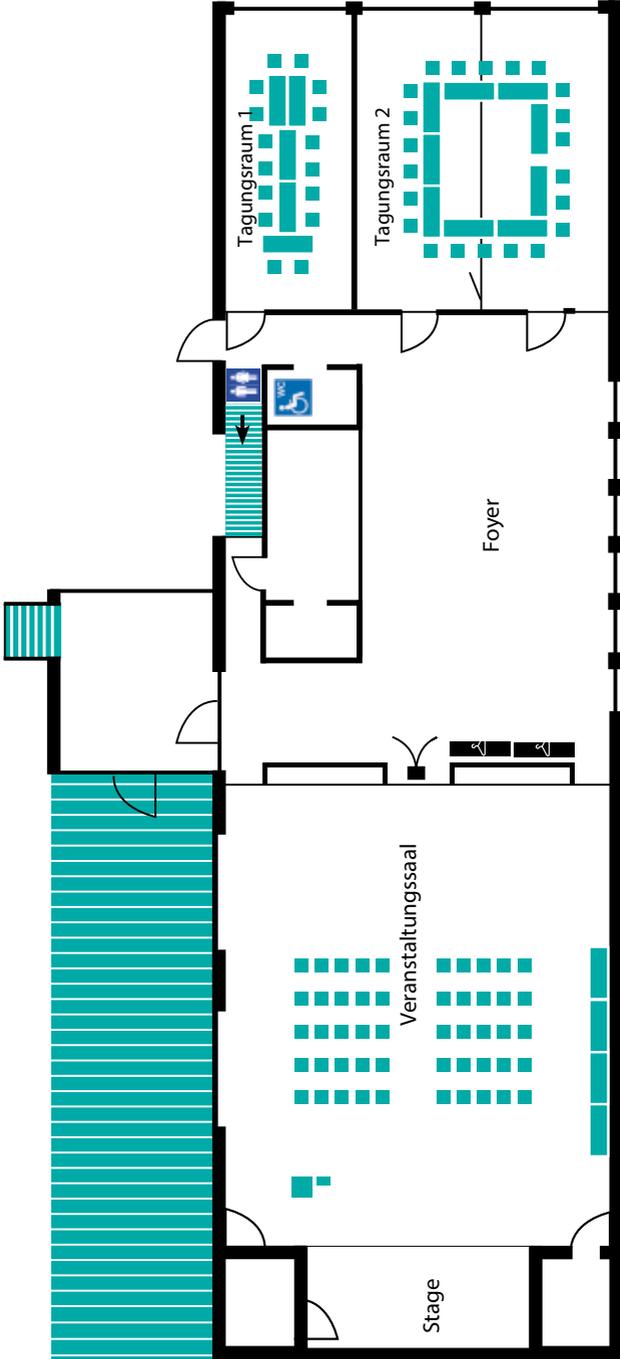
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# NOTES









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