



GESY

Governance and The Efficiency of Economic Systems

Newsletter

Sonderforschungsbereich Transregio 15 • A cooperation of: FU Berlin • HU Berlin • Universität Bonn • Universität Mannheim • ZEW Mannheim • LMU München

Newsletter No. 12

December 2013

SFB/TR 15 Seminars

Munich		
Date	Speaker (Institution)	Title
December 2	Frank Müller-Langer (MPI)	"Open Access to Research Data: An Ideal Professed but not Practiced?"
December 2	Panu Poutvaara (ifo)	"Family-Bargaining on International Migration"
December 3	David de la Croix (UC Louvain)	DINKs, DEWks & Co. --- Marriage, Fertility and Childlessness in the United States"
December 9	Thomas Daske (MPI)	tba
December 10	Thierry Mayer (Science-Po)	tba
December 16	Mike Powell (Northwestern University)	tba
December 17	Thomas Dohmen (U Bonn)	tba
Berlin		
Date	Speaker (Institution)	Title
November 11	Bård Harstad (University of Oslo)	The Market for Conservation and Other Hostages
November 18	Christian Kellner (University Bonn)	Modes of Ambiguous Communication
November 21	Prof. Tim Adam, HUB Björn Imbierowicz (Goethe University Frankfurt)	Covenant Violations and Dynamic Loan Contracting
November 25	Alexey Kushnir (University Zürich)	A Geometric Approach to Mechanism Design
Mannheim		
Date	Speaker (Institution)	Title
November 5	Sandro Shelegia (Universität Wien)	Consumer Search and Double Marginalization
November 12	Margaret Kyle (Toulouse School of Economics)	Intellectual Property Rights and Access to Innovation: Evidence from TRIPS
November 19	Loïc Batté (Toulouse School of Economic)	Demography and intergenerational public transfers: a political economy approach
November 26	Benjamin E. Hermalin (University of California, Berkeley)	The Strategic Use of Download Limits by a Monopoly Platform
December 3	Makoto Hanazono (School of Economics, Nagoya University)	Information Aggregation in Merger Negotiation

Conferences Organized by SFB/TR15 Members

A2 (Konrad)		
Name	Topic	Dates
Kai A. Konrad (with Tom Cusack & Karl Ove Moene)	Advances on the Political Economy of Conflict and Redistribution II, WZB	October 29-30
Kai A. Konrad (with Nadja Dwenger)	Workshop on Tax Compliance, Max Planck Institute for Tax Law and Public Finance	November 4-5
A4 (Schmidt)		
Name	Topic	Dates
Klaus Schmidt	SFB/TR 15 Biannual Conference, Tutzing	November 6-8

External Research Visits, Lectures and Seminars of SFB/TR 15 Members

A4 (Schmidt)		
Name	Topic	Dates
Klaus Schmidt	University of Zurich, "Loss Aversion and Inefficient Renegotiation"	December 2
Florian Englmaier	presented his paper "Price Discontinuities in an online used Car Market" (with A. Schmöller and T. Stowasser) at the CESifo Area Conference Behavioural Economics in Munich	October 25
Florian Englmaier	presented his paper "Electoral Cycles in Savings Bank Lending" (with T. Stowasser) at the SFB/TR15 Meeting in Tutzing	November 7
Florian Englmaier	presented his paper "Price Discontinuities in an online used Car Market" (with A. Schmöller and T. Stowasser) at a Invited Lecture the SFB/TR-15 Young Researchers Conference in Munich	November 9
Joachim Winter	"Can survey participation alter household financial behavior?", Universität Mannheim	October 7
Joachim Winter	"Us and Them: Distributional preferences in small and large groups", CESifo Area Conference "Behavioral Economics", München	October 25
Joachim Winter	"Plan Selection in Medicare Part D: Evidence from administrative data", SFB/TR 15 Conference, Tutzing	November 8
A5 (Krähmer/Schweizer)		
Name	Topic	Dates
Urs Schweizer	Efficient Incentives from Obligation Law and the Compensation Principle, TILEC (Tilburg Law and Economics Center)	November 28
A7 (Strausz/Wolfstetter)		
Name	Topic	Dates
Elmar G. Wolfstetter	visits Shanghai University of Finance and Economics	November 15-29

A8 (Rady)		
Name	Topic	Dates
Sven Rady	"Strategic Experimentation with Private Payoffs", Workshop on Advances in Experimentation, Paris	December 12-13
A9 (Corneo)		
Name	Topic	Dates
Frank Neher	LCSR-Conference Moscow: Redistribution in Democracies- Does the Median Voter get what she wants?	November 11-16
Frank Neher	CESifo 7th Workshop on Political Economy, Dresden: Redistribution in Democracies- Does the Median Voter get what she wants?	November 29-30
B7 (Marin)		
Name	Topic	Dates
Dalia Marin	gave a presentation on "Competitiveness in Europe: The Role of Organizations" at the 2nd CEPR-Modena Conference on "Growth in Mature Economies: Growth and Competitiveness" in Modena	November 7-8
Alexander Tarasov	presented his paper "Trade and the Spatial Distribution of Transport Infrastructure" (joint with Gabriel Felbermayr) at the University St. Gallen	November 21
C8 (Falk)		
Name	Topic	Dates
Hannah Schildberg-Hörisch	Which factors determine the shape of economic preferences of children?, Research Workshop "Empirical Economics"	November 5

Internal Research Visits of SFB/TR 15 Members

A7 (Strausz/Wolfstetter)		
Name	Topic	Dates
Cédric Wasser (A3)	visits project A7	November 20-22

New Discussion Papers

C6 (Peitz/Stahl)		
Name	Title	Number
Matthieu Bouvard, Raphael Levy	<p>Two-sided reputation in certification markets</p> <p>Abstract: We consider a market where privately informed sellers resort to certification to overcome adverse selection. There is uncertainty about the certifier's ability to generate accurate information. The profit of a monopolistic certifier is an inverted U-shaped function of his reputation for accuracy: being perceived as more precise allows to attract more good sellers but a high expected precision also deters bad sellers. Since the certifier tries to reach a balanced reputation to attract both types, reputation has a disciplining effect when the certifier is perceived as insufficiently accurate, but gives incentives to decrease precision when he is perceived as "too" accurate. The impact of competition depends on whether sellers "multihome" or "singlehome". Under singlehoming, certifiers compete to attract good sellers, which makes higher reputation more valuable. Multihoming makes higher reputations less desirable because the competitor exerts a negative externality by providing extra information. Therefore, singlehoming attenuates bad reputation effects, while multihoming exacerbates inefficiencies.</p>	446
C9 (von Thadden/Schmidt-Dengler)		
Name	Title	Number
George J. Mailath, Ernst-Ludwig von Thadden	<p>Incentive Compatibility and Differentiability: New Results and Classic Applications</p> <p>Abstract: We provide several generalizations of Mailath's (1987) result that in games of asymmetric information with a continuum of types incentive compatibility plus separation implies differentiability of the informed agent's strategy. The new results extend the theory to classic models in finance such as Leland and Pyle (1977), Glosten (1989), and DeMarzo and Duffie (1999), that were not previously covered.</p> <p><i>JEL Classification:</i> C60, C73, D82, D83, G14 <i>Keywords:</i> Adverse selection, separation, differentiable strategies, incentive compatibility</p>	447

C9 (von Thadden/Schmidt-Dengler)

Name	Title	Number
Antoine Martin, David Skeie, Ernst-Ludwig von Thadden	<p>Repo Runs</p> <p>Abstract: The recent financial crisis has shown that short-term collateralized borrowing may be a highly unstable source of funds in times of stress. The present paper develops a dynamic equilibrium model and analyzes under what conditions such instability can be a consequence of market-wide changes in expectations. We derive a liquidity constraint and a collateral constraint that determine whether such expectations-driven runs are possible and show that they depend crucially on the microstructure of particular funding markets that we examine in detail. In particular, our model provides insights into the differences between the tri-party repo market and the bilateral repo market, which were both at the heart of the recent financial crisis.</p> <p><i>Keywords:</i> Investment banking, repurchase agreements, tri-party repo, bilateral repo, money market mutual funds, asset-backed commercial paper, bank runs.</p>	448

C9 (von Thadden/Schmidt-Dengler)

Name	Title	Number
Antoine Martin, David Skeie, Ernst-Ludwig von Thadden	<p>The Fragility of Short-Term Secured Funding Markets</p> <p>Abstract: This paper develops an infinite-horizon model of financial institutions that borrow short-term and invest in long-term assets that can be traded in frictionless markets. Because these financial intermediaries perform maturity transformation, they are subject to potential runs. We derive distinct liquidity, collateral, and asset liquidation constraints, which determine whether a run can occur as a result of changing market expectations. We show that the extent to which borrowers can ward off an individual run depends on whether it has sufficient liquidity, collateral, and asset liquidation capacity. These determinants depend on the borrower's (endogenous) balance sheet and on (exogenous) fundamentals. Systemic runs are possible if shocks to the valuation of collateral held by outside investors are sufficiently strong and uniform, and if the system as a whole is exposed to high short-term funding risk. The theory has policy implications for prudential regulation and lender-of-last-resort interventions.</p> <p><i>Keywords:</i> Investment banking, securities dealers, repurchase agreements, runs, financial fragility, collateral, systemic risk. <i>JEL classification:</i> E44, E58, G24</p>	449

C8 (Falk)		
Name	Title	Number
Thomas Deckers, Armin Falk, Hannah Schildberg-Hörisch	<p>Nominal or Real? The Impact of Regional Price Levels on Satisfaction with Life</p> <p>Abstract: According to economic theory, real income, i.e., nominal income adjusted for purchasing power, should be the relevant source of life satisfaction. Previous work, however, has only studied the impact of inflation adjusted nominal income and not taken into account regional differences in purchasing power. Therefore, we use a novel data set to study how regional price levels affect satisfaction with life. The data set comprises about 7 million data points that are used to construct a price level for each of the 428 administrative districts in Germany. We estimate pooled OLS and ordered probit models that include a comprehensive set of individual level, time-varying and time-invariant control variables as well as control variables that capture district heterogeneity other than the price level. Our results show that higher price levels significantly reduce life satisfaction. Furthermore, we find that a higher price level tends to induce a larger loss in life satisfaction than a corresponding decrease in nominal income. A formal test of neutrality of money, however, does not reject neutrality of money. Our results provide an argument in favor of regional indexation of government transfer payments such as social welfare benefits.</p> <p><i>Keywords:</i> Life satisfaction, price index, neutrality of money <i>JEL-Codes:</i> D60, C23, D31</p>	450

Publications

A7 (Strausz/Wolfstetter)		
Name	Topic	Dates
Elmar G. Wolfstetter (joint with Sjur Didrik Flam)	"Liability Insurance and Choice of Cars: A Large Game Approach", Journal of Public Economic Theory	Forthcoming

Visitors

B7 (Marin)		
Name	Speaker (Institution)	Date
Gina Gancia, CREI	visited SFB Project B7. During his stay he presented his paper "Offshoring and Directed Technical Change" in the Munich International Economics Seminar.	November 11

SFB/TR 15 speaker: Prof. Dr. Klaus M. Schmidt. Editorial: Alexandra Frank, Ludwigstr. 28 RG, 80539 München.
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