DEPARTMENT OF ECONOMICS BONN

BONN ECON NEWS

May 13–17, 2024

Overview

Workshops and seminars

Wednesday, May 14, 2024

BGSE Micro Workshop

Carl-Christian Groh (University of Bonn)	“Pigou Meets Wolinsky: Search, Price Discrimination, and Consumer Sophistication”
Coauthor Jonas von Wangenheim Time 12:00–13:00 CET Location Juridicum, Reinhard Selten Room (0.017)	Abstract We study the competitive effects of personalized pricing in horizontally differentiated markets with search frictions. We integrate the possibility of first degree price discrimination into the classic Wolinsky (1986) framework of consumer search. If all consumers are rational, personalized pricing leads to higher consumer surplus if and only if there are no search frictions. If all consumers are unaware that firms price discriminate, i.e. are naive as in Eyster and Rabin (2005), this result is reversed: Personalized pricing improves consumer surplus unless search costs are prohibitive.

Finance/CRC Seminar

Todd Keister (Rutgers)	“Preventing Runs with Redemption Fees”
Coauthor Xuesong Huang Time 14:45–16:00 CET Location Juridicum, Faculty Lounge (0.036)	Abstract We develop a model for evaluating policy proposals that aim to prevent runs on money market mutual funds (MMFs) and related intermediation arrangements. We first study policies that impose a redemption fee when the fund’s liquid assets fall below a threshold level, similar to the reforms adopted in the U.S. in 2014. We show that such policies are often susceptible to a preemptive run in which investors rush to withdraw before the fees are imposed, in line with events at the onset of the Covid crisis in March 2020. We then study policies that impose a fee based on current redemption demand, even in normal times. We show that such policies are more effective at preventing runs, and we derive the best run-proof redemption fee policy. We show that this policy can have surprising features, such as setting the fee as a non-monotone function of redemption demand. Our framework indicates the new MMF reforms adopted in 2023 are an improvement over the previous round, but may still be susceptive to preemptive runs. We discuss the implications of our results for further reforms to MMFs and for stabilizing mutual funds more broadly.

Thursday, May 15, 2024

Econometrics & Statistics

Christophe Gaillac (University of Oxford)	"Predicting Unobserved Individual-level Causal Effects"
Time 16:00–17:00 CET Location Juridicum, Faculty Lounge (0.036)	Abstract Measuring accurately heterogeneous effects is key for the design of efficient public policies. This paper focuses on predicting unobserved individual-level causal effects in linear random coefficients models, conditional on all the available data. In the application I consider, these “posterior effects” are the average effects of teachers’ knowledge on their students’ performance, conditional on both variables. I derive two nonparametric strategies for recovering these posterior effects, assuming independence between the effects and the covariates. The first strategy recovers the distribution of the random coefficients by a minimum distance approach, and then obtains the posterior effects from this distribution. The corresponding estimator can be computed using an optimal transport algorithm. The second approach, which is valid only for continuous regressors, directly expresses the posterior effects as a function of the data. The corresponding estimator is rate optimal. I discuss several extensions, in particular the relaxation of the independence condition. Finally, the application reveals large heterogeneity in the effect of teachers’ knowledge, suggesting that we could substantially improve the cost-effectiveness of their training.